FEATURE ARTICLES: *Power, Money, and Intelligence—What the 2010 Census Will Mean to Virginia* by Larry Robinson

Trends in Defense Employment 1998-2008 by James P. Wilson

VIRGINIA
Economic Indicators

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U.S. 2009 Estimates and 2010-2012 Projections and Virginia Third Quarter 2009 Data with Year-end Area Estimates

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Publication Staff: **William F. Mezger**, *Editor*; **Joan McDorman**, *Assistant Editor*;
Linda Simmons, *Graphic Design/Layout & Distribution*

Foreword

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS codes were updated in 2007. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001 - 2009 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001 - 2009 data.

The U.S. forecast analysis is based on the Global Insight projections which the state purchases. Virginia estimates use the state model with enhancements from VEC data for the areas.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

A personal note from William F. Mezger, Chief Economist, Economic Operations Research, Economic Information Services Division, Virginia Employment Commission:

I have been editor of *Virginia Economic Indicators* for 22 years, starting in 1988. Also, I have done the state unemployment and employment press releases for 35 years and the *Economic Assumptions* publication for 41 years. I retired on December 31, 2009, at the age of seventy, after nearly 47 years of service in the Economic Information Services Division and its predecessor the Research, Statistics, and Information Division. It has been a great adventure, and I am truly thankful and owe a great debt to all the people who have assisted me over the years.

Please address your comments to:

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For additional information or explanation of the contents of this document, you may contact the Economic/Operations Research section at (804) 786-5669. You may also view the publication in its entirety at **www.VirginiaLMI.com.**

Highlights

The U.S. and Virginia Economies

In the forecast, the U.S. economy finally emerges from the longest, but not quite the worst recession of the post-World War II period—a recession that was brought on by over-speculation in the real estate and financial markets. Massive stimulus spending and years of near zero interest rates are necessary to bring the economy back, but to have not taken these corrective actions would likely have meant a deep, decade-long recession. A year after the 2008 financial crisis, progress to restore credit/liquidity to all sectors of the economy and revive job creation in the dominantly service economy seems painfully slow. It is 2012 before things seem to be getting back to normal. The expansion needs time to build on itself. Gross Domestic Product (GDP) growth is expected to be below three percent for 2010 and 2011. By 2012 and beyond, GDP growth should climb above three percent. As the economy grows again, tax revenues return, and the $1.4 trillion federal deficit is whittled down to less than $900 billion with inflation and interest rates staying moderately low. Energy prices rise moderately over the forecast period, but never get out of hand as they did in 2008.

> *A year after the 2008 financial crisis, progress to restore credit/liquidity to all sectors of the economy seems painfully slow, but the recession appeared to bottom out in Virginia in Third Quarter 2009.*

The recession appeared to bottom out in Virginia in Third Quarter 2009. The employment and unemployment series were generally flat this quarter, but the hours and earnings production worker series responded to new orders with a lengthened workweek and higher wage figures. Improvements in these numbers are usually the first signs of recovery as employers begin to test the strength of the economy by working people already on the payroll more overtime to fill the increasing volume of orders. After only one positive record set in the second quarter (a new high of $18.84 in May in the hourly production wage), there were six positive records set in Third Quarter 2009, although they were confined to the wage series.

- ❖ Hourly production earnings set record highs each month of the quarter of $19.19 in July, $19.40 in August, and $19.56 in September.
- ❖ The weekly production wage reached new heights of $828.65 in July, $847.16 in August, and $858.19 in September.

The latest Virginia estimates on a **preliminary basis before Spring 2010 benchmark revisions** show Virginia nonfarm place-of-work employment losing 92,600 jobs, or 2.5 percent, and falling to a 2009 average level of 3,664,900. Virginia in 2008 with a 4.0 percent average unemployment rate, had the ninth-lowest unemployment rate in the nation. Even though Virginia's unemployment rate increased this year and is expected to average 6.7 percent for 2009 on a **preliminary basis**, after having peaked in June 2009 at 7.3 percent, the states that had lower unemployment rates than Virginia in 2008 have also experienced rising unemployment in 2009. In 2009's fourth quarter, only about a half-dozen small, largely agricultural, upper Midwest and Rocky Mountain states had unemployment rates below Virginia.

Most Virginia metropolitan areas saw job loss in 2009. The least job loss was in the college-oriented **Lynchburg** and **Harrisonburg** metropolitan areas, which have from month to month bounced back and forth from a few hundred jobs negative to a few hundred jobs positive. The large **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** and **Northern Virginia** metropolitan areas, aided by the stability of many defense installations and defense contractors and stimulus spending on these military installations, have each had one percent, or less, job loss. The **Blacksburg-Christiansburg-Radford** area has seen significant job losses in its vehicle and vehicle component manufacturing sector, but they have been blunted to some extent by employment increase in its two large state universities (Virginia Tech and Radford). **Charlottesville** and **Roanoke** have experienced around two percent job loss from the manufacturing and service industries, but health care and higher education gains have tended to balance out some of the losses. The **Danville** area with about three percent job loss (mostly from temporary layoffs) generally has not suffered as much in this recession as other Southside Virginia communities. The **Richmond** metropolitan area with about 25,000 jobs lost because of major business closings in trade/transportation, manufacturing, and finance has lost the most jobs in this recession. **Winchester, Virginia/West Virginia** has had the biggest percentage reduction of nearly five percent due to housing- and vehicle-related cutbacks and some retrenchment

in services. The nonmetropolitan rural **balance-of-state** has lost 31,800 net jobs, or over eight percent, of its employment base. As usual, more of the job loss was in the southern half of the balance-of-state.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 215.7 (1982-84=100) in Third Quarter 2009. This average was 0.7 percent higher than the 214.3 Second Quarter 2009 average because of slightly higher energy and commodity prices. The Third Quarter 2009 average was still below the Third Quarter 2008 average of 219.3 by 1.6 percent. Because of the fall in prices of big ticket durables (houses and vehicles), there was over-the-year deflation.

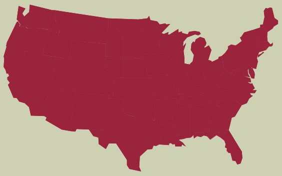
According to the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor, nonfarm business sector labor productivity increased at an 8.1 percent annual rate during Third Quarter 2009. This was the largest gain in productivity since Third Quarter 2003 and reflects a 2.9 percent increase in output and a 4.8 percent decline in hours worked. (All quarterly percent changes are seasonally adjusted annual rates.) Labor productivity is calculated by dividing an index of real output by an index of the combined hours worked of all persons, including employees, proprietors, and unpaid family workers. Unit labor costs in nonfarm businesses fell 2.5 percent in Third Quarter 2009, as productivity grew at a faster rate (8.1 percent) than hourly compensation (5.4 percent). Unit labor costs declined 1.4 percent over the last four quarters. (BLS defines unit labor costs as the ratio of hourly compensation to labor productivity. Increases in hourly compensation tend to increase unit labor costs, and increases in output per hour tend to reduce them.)

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's coal production in the first nine months of 2009, at 15,480,000 short tons mined, was 15.1 percent below the 18,234,000 short tons mined in the similar nine-month period in 2008.

William F. Mezger

William F. Mezger, Chief Economist
Virginia Employment Commission

U.S. Economic Outlook



Forecast Update—2009 Estimates and 2010-2012 Projections

William F. Mezger, Chief Economist

Last year, we said this recession was probably going to be the longest recession of the post-World War II period and that seems to have proven correct with this recession being longer than the two previous longest post-World War II recessions of 1973-75 and 1981-82, which were each 16 months in length. Last year, the National Bureau of Economic Research (NBER), the Princeton New Jersey group that officially designates recessions in the U.S., had issued a statement on December 1, 2008, saying the U.S. economy had been in recession for one year, beginning on December 1, 2007. While the NBER has yet to declare this recession officially over, signs are mounting that modest recovery began in Third Quarter 2009. The NBER usually does not declare a recession "officially over" until it has had months to study all the data and make certain its call is correct. What happened was that this recession was in its thirteenth month (December 2008) before the NBER officially declared "the U.S. economy was in recession," although *at that time* there had been significant *reported* negative Gross Domestic Product growth in only one quarter (Third Quarter 2008 was down 2.7 percent). There had been positive GDP growth in Second Quarter 2008 of 1.5 percent, but the NBER said on December 1, 2008, that the economy had been in such "a weakened state" that it had been in recession all of 2008. (GDP is the sum of the output of all the goods and services produced by labor and property in the U.S. economy and is a key measure of economic gain or loss. Normally at least two consecutive quarters of negative GDP growth are considered necessary to have a recession.) In March 2009, GDP in Fourth Quarter 2008 was reported down 5.4 percent. GDP then declined for the first two quarters of 2009, being down 6.4 percent in First Quarter 2009 and 0.7 percent in Second Quarter 2009. This makes 19 months of recession from December 2007 through June 2009 for the longest recession in post-World War II history. Although the NBER, as of this writing, has yet to officially declare the recession over, it appears a weak recovery sparked by the boost in vehicle sales from the "cash for clunkers" program, replenishing of worked-down inventories, incentives to first-time home buyers, federal spending, and a slight spurt in exports began in Third Quarter 2009 with 2.2 percent GDP gain.

> *Those sectors recovering have generally been big businesses.*

While the 2007-2009? recession is the longest recession since the Great Depression of the 1930s, U.S. unemployment has yet to reach the 10.8 percent peak recorded in November 1982, although U.S. unemployment was 10.2 percent in October 2009. U.S. November unemployment was back to 10.0 percent. Unemployment will probably stay just below the 10.8 percent 1982 peak. An unusually good projected 3.1 percent rate of productivity in 2009 has allowed employers to get through this year with their existing workforce without making hires.

What has made this recession seem so bad is that it has been *absolutely devastating* to certain selective segments of the economy, like construction, manufacturing (in general), motor vehicles (in particular), information, and finance, and with the across-the-board lack of job creation, there seems to be no end in sight to the problems for the individuals affected. The recession seems to feed on itself. This recession was caused by over-speculation in the real estate market, which spread to the financial sector, which financed the mortgages, and then to other sectors of the economy because consumers, feeling unsure and thinking they might lose their jobs, stopped buying.

Now one year later, some portions of the economy appear to be recovering, while others seem to be sinking deeper.

A. Those sectors recovering have generally been big businesses.

- The federal government through the Troubled Asset Relief Program (TARP) has loaned billions of dollars to shore up the big banks and insurance companies, that had invested heavily in the bad mortgage assets, and brought them back from the brink of destruction. In the summer and fall of 2009 as their business has improved, they have been repaying the TARP loans.
    - *On the other hand*, these banks that were just rescued with taxpayer monies have been reluctant to loan to other businesses and free up credit. Also, they have fought stricter banking regulations intended to keep them in the future out of the sort of loan mess they were just in. They have started again paying lavish bonuses to their top executives.
    - The above practices have incurred the wrath of the public and President Obama, who in a December 13, 2009, meeting with the nation's major bankers, demanded that

the banks "make more credit available to businesses and consumers."

- In spring 2009, the impending failures of General Motors and Chrysler forced the federal government to bail them out with loans after restructuring and bankruptcies. Hopefully, the new smaller, leaner companies will be able to better compete in the current marketplace. The July and August "cash for clunkers" program was designed to aid the two newly restructured domestic vehicle producers, but because of the vehicle inventory mix on hand, seems to have been more beneficial to rival Ford (which did not seek a government bail-out) and the Japanese-owned vehicle producers.

- In February 2009, Congress passed the $787 billion American Recovery and Reinvestment Act, which, in addition to rescuing the motor companies (see above):

  - Raised the amount to be paid to states for Medicaid and pays for health clinics, community health centers, and meals for low-income seniors.

  - Provides a fiscal stabilization fund to states, the major part of which goes to education—grades K-12, special education, and needy students.

  - It also provided tax cuts to families and small businesses, education tax credits, "shovel-ready" infrastructure improvements, investments in health care and energy, extended jobless benefits, and support to local governments.

- One of the chief means of getting the stimulus monies into the economy has been through spending for projects on the military bases, and since Virginia has so many military bases, it has benefited more than most states.

B. Parts of the economy that have been slow to see recovery:

- The nearly fifteen million unemployed have had a very tough time, even though unemployment benefits have been extended several times, because job creation has been very slow to filter through the labor market.

- The fact the major banks have been very slow to expand credit to the medium-sized and small businesses and other credit-worthy borrowers has slowed the recovery. Without a free-flow of credit, plus the fear of impending higher taxes, businesses are very reluctant to create new jobs and hire.

- The backlog of foreclosed and unwanted real estate is still a major problem in some areas of the country. Extension of the tax credit to first-time home buyers until spring 2010 is a help.

The Federal Reserve through its monetary policy of keeping interest rates near zero and its special attempts to facilitate liquidity have done more than people realize to get the economy through last year's crisis and on the road to recovery.

2009 in Review

- In the aftermath of the housing crisis in 2007 and the financial crisis and the passage of the TARP legislation in 2008, First Quarter 2009 started out with the new Obama Administration being inaugurated in January. In short order (February), the new administration pushed through Congress the $75 billion Homeowner Affordability and Stability Plan and the $787 billion American Recovery and Reinvestment Act (the stimulus plan) to shore up the troubled economy. Things were still in a state of "free fall" in First Quarter 2009 with GDP dropping 6.4 percent with most sectors being negative.

- The recession continued into Second Quarter 2009, but the rate of decrease slowed to 0.7 percent. The federal government shepherded the failed General Motors and Chrysler through managed bankruptcies with them emerging as more viable entities, supposedly more able to compete in the present-day car market. In the process many "underperforming" dealerships were terminated. The recession extends to nineteen months, making it the longest in the post-World War II period.

- Third Quarter 2009 saw GDP return to slightly positive growth, being up by 2.2 percent, spurred by the "cash for clunkers" program. Light vehicle sales were briefly up to 11.5 million units at an annual rate. Also, helping the economy were replenishment of inventories, export sales, and housing sales induced by tax credits for first-time home buyers.

Other than high and rising unemployment, 2009 has not been as tumultuous a year economically as the two previous years.

- Fourth Quarter 2009 is expected to see modest GDP growth much like the third quarter. The merchants are hoping for a better holiday sales season after three poor holiday sale seasons. "Black Friday" sales indicate sales volume about 3 percent above last year. Much of the eastern U.S. was hit by a major winter storm in the last weekend before Christmas. Most big banks have paid back their TARP loans by the fourth quarter. The U.S. unemployment rate reached 10.2 percent in October, but was back to 10.0 percent in November. Trying to stimulate more business, the Federal Reserve kept the Fed Funds rate near zero all year.

- Final Fourth Quarter 2009 GDP numbers will not be available until the end of March 2010. Other than high and rising unemployment, 2009 has not been as tumultuous a year economically as the two previous years.

Basic Economic Number Averages for 2009 Should Turn Out as Follows:

- Economic growth in 2009 should average 2.5 percent negative because of the severe drop in the first quarter (6.4 percent) and a smaller reduction (0.7 percent) in the second quarter. It looks like an anemic recovery started in the third quarter and continued into the fourth quarter.

- Consumer spending should average 0.6 percent negative for the year as consumers ceased spending for all but essentials. Bright spots were the summer "cash for clunkers" program and the tax incentive to first-time home buyers. New light vehicle sales fell from 13.2 million units average in 2008 to 10.3 million units average in 2009 even with the "cash for clunkers" program. Housing seems to be bottoming out in 2009. New starts were down from 900,000 in 2008 to 558,000 in 2009, but existing home sales were up from 4,893,000 in 2008 to 5,175,000 in 2009. Business spending was depressed by the recession and the lack of credit availability, being down from 1.6 percent positive in 2008 to 17.9 percent negative in 2009. Federal government spending grew 5.3 percent in 2009. State and local government spending for goods and services was unchanged from 2008.

- In an effort to stimulate the economy, the Federal Reserve kept the Fed Funds rate at an average low 0.16 percent. Because of the recession, average consumer prices fell 0.3 percent for the year. Although oil prices rose moderately from $43 per barrel in the first quarter to $77 per barrel by the fourth quarter, they averaged $62 per barrel for the year, which was much less than 2008's $100 per barrel average.

- The labor market shed jobs all year, averaging a 3.7 percent nonfarm job loss, or down about a net six million jobs. Other than those jobs created as a result of stimulus spending, there has been little new job creation. The national unemployment rate moved up all year, averaging 9.3 percent versus a 5.8 percent average in 2008.

- The federal deficit will reach a record $1,417 billion dollars.

The Future

The U.S. economy is like a battleship, it does not turn on a dime. All of 2009, fiscal policy, in the form of stimulus spending, and monetary policy, in the form of low (nearly zero) interest rates, have been battling to offset the forces unleashed and the damage done by the housing market crisis in 2007 and the ensuing financial market crisis in 2008. Unemployment, always worse in the year or so after the crisis, has risen steadily throughout 2009, topping ten percent in October 2009. One year after the last big crisis, the big banks and insurance companies and General Motors and Chrysler have been rescued from failure and restored to operations. Many of the big banks have paid back their TARP loans. Stimulus monies in the form of health, education, and energy projects have put a floor under state and local governments, although most all are having problems from lost tax revenues. What has not been completely fixed, yet, is the full restoration of credit/liquidity, especially to smaller businesses. Without the return of credit/liquidity, consumers are reluctant to spend and businesses are reluctant to expand and create jobs. The President, Congress, and the Federal Reserve appear intent on forcing the rescued big banks into making more credit available. This should come in time, realizing a service-type economy like the U.S. by its nature expands slowly. The expansion needs time to build on itself. GDP growth is expected to be below three percent for 2010 and 2011. By 2012 and beyond, GDP growth should climb above three percent.

Outlook for 2010

- Unemployment may ratchet up one more time to over ten percent in winter 2010 before starting to recede for good. GDP is growing, but at an anemic 2.2 percent for the yearly average. Consumers are spending, but very slowly and cautiously, at a

1.8 percent growth rate. New light vehicle sales will be a little better, averaging 11.2 million units per year. New housing starts, urged upward by extended first-time home buyer tax credits, will be 812,000. Existing home sales will be the same as last year at 5.18 million. Federal government spending will be up 4.0 percent with more stimulus monies and paying for the military surge in Afghanistan. State and local government spending will be down 0.2 percent as reduced tax revenues outweigh federal stimulus aid. Although the credit/liquidity situation is starting to improve, business spending will still be down by 1.4 percent.

- Late in the year as business improves, the Federal Reserve will inch up the Fed Funds rate, but it will still average only 0.24 percent for the year. Inflation will have returned, but only at a benign 1.7 percent. Oil prices will be just a little higher at $68 per barrel.
- The labor market will still be negative with nonfarm employment dropping 0.9 percent. Unemployment will average 10.2 percent.
- The federal deficit will be just about as high as last year because of stimulus spending and the surge in Afghanistan at $1,411 billion.

Outlook for 2011

- The outlook for 2011 will be just a little bit better with GDP growth averaging 2.9 percent (still below the 3.0 percent level considered the norm). Consumers will be feeling better and spending at a 2.4 percent rate of gain. Improving will be light vehicle sales at 13.8 million units, housing starts at 1.24 million, and existing home sales at 5.34 million. The combination of improving credit/liquidity and stimulus monies reaching small businesses will turn business spending positive for 10.3 percent growth.
- Federal government spending will be negative by 3.3 percent as the stimulus payments and Afghanistan wind down. Still low tax revenues will reduce state and local government spending 0.6 percent.
- The Federal Reserve will be cautiously inching up the Fed Funds rate to average 1.70 percent as inflation is now 2.0 percent (a level the Federal Reserve considers ideal).
- The labor market will finally be improving with nonfarm employment growing 1.8 percent and the unemployment rate receding to 9.6 percent.
- The federal deficit is $ 1,093 billion.

Outlook for 2012

- The economic numbers appear more normal as recession problems fade into the past. For the first time since 2005, GDP growth is over the three percent mark at 3.8 percent. Consumers are spending at a 2.7 percent rate of increase, which is boosting light vehicle sales to an average 15.6 million units, housing starts to 1.59 million, and existing home sales to 6.10 million. Business spending is now increasing by 14.5 percent. With the recovery now well along and Afghanistan hopefully ending, federal government spending is down 3.7 percent. State and local government spending is up 0.4 percent.
- The Fed Funds rate is expected to have moved up to average 3.34 percent, but inflation is staying in check at an almost ideal 1.9 percent. Oil prices move up to $83 per barrel.
- Job creation is up to 2.7 percent and the unemployment rate slides to 8.6 percent.
- Tax revenues are better, the stimulus loans have been paid back, and the federal deficit is down to $891 billion dollars.

The baseline forecast has a 60 percent probability.

The preceding forecast is based on the following:

- After heroic efforts in the last half of 2008 to rescue the economy from the threat of total collapse, the Federal Reserve had pretty much run through its bag of conventional methods to control the economy. At its December 16, 2008, open market committee meeting, it dropped the Fed Funds rate to a historic low target range of 0.0 to 0.25 percent. In essence, this has been the primary **monetary policy** for all of 2009. In this major effort to get the economy going again, the Fed Funds rate has averaged only 0.16 percent for 2009. Behind the scenes the Federal Reserve has been working to shore-up the banking system, merging weaker banks with stronger ones, and buying up mortgage-based securities and securitized consumer loans. It has thus far had only limited success in getting the banks to make more credit available, especially to smaller borrowers.

  The Federal Reserve is expected to extend its low interest rate policies into the forecast period in an effort to create more credit/liquidity. The Fed Funds rate is projected to average 0.24 percent for 2010, 1.70 percent for 2011, and 3.34 percent for 2012.

  The reason the Federal Reserve can take its time about raising the Fed Funds rate is that, inflation is very dormant because of worldwide excesses in production capacity and labor markets. The recession actually caused 0.3 percent deflation in 2009. Inflation is expected to return in 2010, but it is expected to be moderate and well within the 2.0 percent inflation rate that the Federal Reserve considers ideal. Consumer price inflation is expected to average 1.7 percent in 2010, 2.0 percent in 2011, and 1.9 percent in 2012.

- In recent years, up until late 2008, **fiscal policy** had taken a backseat to monetary policy, but this time because of the Federal Reserve having largely already used up most of its bag of tricks to control the economy, fiscal policy has become the primary means to get the U.S. economy out of the recession. In addition to the Troubled Asset Relief Program (TARP) passed in October 2008, the new Obama administration, once it was in office, pushed through Congress in February 2009:
  - The $75 billion Homeowner Affordability and Stability Plan that will help save the best of bad mortgages through Fannie Mae and Freddie Mac
  - The $787 billion American Recovery and Reinvestment Act that is designed to stimulate the economy. The American Recovery and Reinvestment Act, which increases Medicaid, also provides a fiscal stabilization fund to states for education.

    It also provides:

    » General fund benefits, such as tax cuts to families and small businesses, education tax credits, infrastructure improvements ("shovel-ready"), investments in health care and alternative energy, support to local governments in the downturn, and extended jobless benefits.

    » It appointed federal offices to administer the resolution of General Motors' and Chrysler's problems.

  Further stimulus plans are in the Fiscal Year 2010 federal budget.

  The purposes of all the rescue and stimulus plans are to:

  1. Put a floor under home prices
  2. Restore credit/liquidity to the banking system so that lending will be restarted and the nation can recover from the recession

  It will take time for the stimulus and recovery plans to work.

  Out of the stimulus package, it is assumed about $600 billion will be spent in 2009 and 2010. The stimulus has added nearly one percent to 2009 GDP and will add over one percent to 2010 GDP. It should save over two million jobs by the end of 2010.

  Federal government spending even with the start of the stimulus package rose only 5.3 percent in 2009. Going forward, federal government spending should increase 4.0 percent (the surge in Afghanistan and more stimulus spending) in 2010. As the stimulus and Afghanistan wind down, federal government spending should decrease by 3.3 percent in 2011 and 3.7 percent in 2012.

  The stimulus package; financial bailouts of banks, insurance companies, and motor companies; and other recession costs, like extended unemployment benefits, will have boosted the federal budget deficit from $455 billion in 2008 to $1,417 billion in 2009. The federal budget deficit is expected to be almost as high, at $1,411 billion dollars, for 2010. Our forecast is for the federal deficit to slide to $1,093 billion in 2011 and $891 billion in 2012.

  Thanks to the stimulus monies, combined state and local government spending was unchanged from 2008 to 2009. The slide in tax revenues will reduce combined state and local government spending by 0.2 percent in 2010 and 0.6 percent in 2011. By 2012 tax revenues will start to improve, and state and local government spending to fund postponed projects will be up by 0.4 percent.

- National **nonagricultural payroll employment** (the job count) rose at an average 1.1 percent in 2007, reaching a level of 138 million jobs in December 2007 as the business cycle peaked. Average job loss in 2008 was 0.4 percent. Average job loss in 2009 is projected to be 3.7 percent with nonfarm employment projected down to 130 million by December. Nonfarm employment nationally is expected to recede another 0.9 percent in 2010, but gain back 1.8 percent in 2011 and 2.7 percent in 2012. Even with these losses, the stimulus package is expected to have saved over 2 million jobs. A characteristic of service-based economies is that they grow slowly.

- The **national unemployment rate**, a lagging economic indicator, averaged 5.8 percent in 2008. Unemployment is expected to average 9.3 percent in 2009 and average 10.2 percent in 2010. (Unemployment is usually highest the year after the recession ends because it takes time for the displaced to be rehired.) There are some who feel President Obama's attention has been diverted away from the unemployment problem in 2009 by Afghanistan and the health insurance issue. Perhaps 2010 will see more emphasis on lowering unemployment. Unemployment should be receding to 9.6 percent in 2011 and 8.6 percent in 2012.

The stimulus has added nearly one percent to 2009 GDP and will add over one percent to 2010 GDP. It should save over two million jobs by the end of 2010.

- The **trade deficit** is projected to improve to $446 billion in 2009, but world trade is down drastically because of the recession. After mid-2008, the rest of the world quickly followed the U.S. into recession as the financial markets imploded. The bad mortgages had been traded around the world, and many other countries also had inflated real estate markets. Exports and imports have deteriorated sharply but exports to China and India rebounded late in 2009. Europe and Japan had deeper recessions than the U.S. and likely will take longer to rebound. Growth in most emerging countries will rebound faster in 2010 than growth in the developed countries. The current account deficit should be $533 billion in 2010, $613 billion in 2011, and $692 billion in 2012.

- New **housing** starts and existing home sales have both plummeted, being down to a projected 558,000 annualized new starts for 2009 and 4.89 million annualized existing home sales for 2008. Existing home sales actually rose to a projected 5.18 million in 2009 because of tax credits to first-time home buyers and more affordable prices. These averages are down significantly from 2.07 million housing starts and 7.08 million existing home sales at the peak in 2005. The projections are for an average 812,000 new housing starts and 5.18 million existing home sales in 2010; 1.24 million new housing starts and 5.34 million existing home sales in 2011; and 1.59 million new housing starts and 6.10 million existing home sales in 2012.

- After the Obama administration took office, a "car czar" was appointed to deal with the **vehicle industry's** problems of General Motors and Chrysler who were about to fail. The federal government rescued General Motors and Chrysler, put them through managed bankruptcies, and ended up owning parts of both, but in the end, a big part of Chrysler was sold to Italian automaker Fiat, who will provide management and technical support. In the process the companies were supposed to become leaner, meaner, and more able to compete in today's car market. Many "underperforming" dealer franchises were terminated.

  In Third Quarter 2009, the U.S. government backed the "cash for clunkers" program where the buyer of a new fuel-efficient vehicle could get up to $4,000 trade-in, regardless of condition, for a fuel-inefficient vehicle, but the traded vehicle had to be destroyed. The program was originally intended to benefit the just-bailed-out General Motors and Chrysler. The "cash for clunkers" program gave a boost to light vehicle sales in July and August, although dealers were complaining about the paperwork and the slowness of being reimbursed by the federal government. Probably the worst aspect of the "cash for clunkers" program was that it seems to have helped the foreign vehicle producers of Toyota, Honda, Hyundai, and Subaru more than General Motors and Chrysler, the domestic vehicle makers it was initially intended to benefit. The foreign producers had more fuel-efficient vehicles in their inventories this past summer than did the domestic producers. In September, after "cash for clunkers" had expired, light vehicle sales plummeted by nearly forty percent.

  New light vehicles sales, even with "cash for clunkers," are expected to be only 10.3 million units in 2009. Projected future sales are expected to be 11.2 million units in 2010, 13.8 million units in 2011, and 15.6 billion units in 2012. In the past, the domestic vehicle producers needed 14 to 15 million unit sales volume to be profitable, but the new revamped companies are supposed to now be better able to compete. In the meantime, Ford, who did not get a bailout loan, has sold off a good part of its assets to get money to develop a new product line and appears to be becoming profitable again.

- After a very volatile year in 2008 with per barrel **oil prices** spiking to $147 and averaging $100, 2009 was relatively calm, with prices rising moderately much of the year, but averaging only $62. Gasoline prices were well within the $2.00 to $3.00 per gallon range. The recession was keeping prices in check with even 2009's price run-up being more than the market warranted. Fuel prices are expected to gradually rise, being $68 per barrel in 2010, $77 per barrel in 2011, and $83 per barrel in 2012. As always, the energy sector can quickly become very volatile.

Forecast Alternatives

The **pessimistic scenario** has a second dip to the recession in 2010, and this is followed by anemic growth for years to come (probability is 20 percent).

The **optimistic scenario** has monetary and fiscal policies gaining traction better than originally thought, and GDP growth rises to 4.0 percent in 2010 and stays there for the remainder of the forecast period (probability is 20 percent).

January 14, 2010

Virginia Indicators

Third Quarter 2009 Data with Year-end Area Employment and Jobless Estimates

William F. Mezger, Chief Economist

The recession appeared to bottom out in Virginia in Third Quarter 2009. The employment and unemployment series were generally flat this quarter, but the hours and earnings production worker series responded to new orders with a lengthened workweek and higher wage figures. Improvements in these numbers are usually the first signs of recovery as employers begin to test the strength of the economy by working people already on the payroll more overtime to fill the increasing volume of orders. Vehicle producers needed to replenish component supplies after the General Motors and Chrysler bailouts, "cash for clunkers," and the start up of production on the 2010 model vehicles. Subsequent preliminary data for Fourth Quarter 2009 seem to substantiate these trends.

> *The employment and unemployment series appeared to bottom out in the third quarter, but the hours and earnings series were showing signs of recovery.*

The fourteen series available on Virginia perked up in the third quarter with the following performances:

- July had ten series up, three unchanged, and one negative.
- August was neutral with five series up, four unchanged, and five series down.
- September saw nine series up, three unchanged, and two down.

After only one positive record set in the second quarter (a new high of $18.84 in May in the hourly production wage), there were six positive records set in Third Quarter 2009, although they were confined to the wage series.

- Hourly production earnings set record highs each month of the quarter of $19.19 in July, $19.40 in August, and $19.56 in September.
- The weekly production wage reached new heights of $828.65 in July, $847.16 in August, and $858.19 in September.

The other third quarter records set were negative. They were:

- New lows for Virginia factory employment of 236,900 in July and 236,400 in August. These low figures rivaled levels recorded when the series first started in Virginia in 1949.
- Final payments for unemployment benefits reached a new high of 14,178 in September.

The six-month moving average of the indicators on page 20 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

Around the State

The latest Virginia estimates on a **preliminary basis before spring 2010 benchmark revisions** show Virginia nonfarm place-of-work employment losing 92,600 jobs, or 2.5 percent, and falling to a 2009 average level of 3,664,900. The full impact of the recession was felt in 2009. Total government (up 7,300, or 1.1 percent) and private education and health services (up 7,200, or 1.6 percent) were the only positive sectors. All other industries registered job losses, except mining, which was unchanged at 11,100 jobs. The biggest Virginia job losses were 28,100, or 12.6 percent, in construction; 23,700, or 9.0 percent, in manufacturing; 18,800, or 3.5 percent, in trade; and 17,200, or 2.6 percent, in professional and business services. While Virginia's estimated 2009 job loss is 2.5 percent, the nation is expected to have a 3.7 percent job loss in the same period. Nonfarm employment in Virginia fell a minimal 3,900, or 0.1 percent, in 2008 as the recession started late in the third quarter of that year. U.S. job loss was 0.4 percent in 2008.

Virginia in 2008 with a 4.0 percent average unemployment rate, had the ninth-lowest unemployment rate in the nation. Even though Virginia's unemployment rate increased this year and is expected to average 6.7 percent for 2009 **on a preliminary basis**, after having peaked in June 2009 at 7.3 percent, the states

> *Virginia nonfarm employment shed 92,600 jobs, or 2.5 percent, in 2009 and the Virginia jobless rate should average 6.7 percent.*

that had lower unemployment rates than Virginia in 2008 have also experienced rising unemployment in 2009. In 2009's fourth quarter, only about a half-dozen small, largely agricultural, upper Midwest and Rocky Mountain states had unemployment rates below Virginia. Of the thirteen largest states with over 3.5 million nonfarm employment bases, Virginia had by far the lowest unemployment rate. The national unemployment rate is expected to average 9.3 percent in 2009.

Most Virginia metropolitan areas saw job loss in 2009.

The least job loss was in the college-oriented **Lynchburg** and **Harrisonburg** metropolitan areas, which have from month to month bounced back and forth from a few hundred jobs negative to a few hundred jobs positive. **The large Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** and **Northern Virginia** metropolitan areas, aided by the stability of many defense installations and defense contractors and stimulus spending on these military installations, have each had one percent, or less, job loss. The **Blacksburg-Christiansburg-Radford** area has seen significant job losses in its vehicle and vehicle component manufacturing sector, but they have been blunted to some extent by employment increase in its two large state universities (Virginia Tech and Radford). **Charlottesville** and **Roanoke** have experienced around two percent job loss from the manufacturing and service industries, but health care and higher education gains have tended to balance out some of the losses. The **Danville** area with about three percent job loss (mostly from temporary layoffs) generally has not suffered as much in this recession as other Southside Virginia communities. The **Richmond** metropolitan area with about 25,000 jobs lost because of major business closings in trade/transportation, manufacturing, and finance has lost the most jobs in this recession. **Winchester, Virginia/West Virginia** has had the biggest percentage reduction of nearly five percent due to housing- and vehicle-related cutbacks and some retrenchment in services. The nonmetropolitan rural **balance-of-state** has lost 31,800 net jobs, or over eight percent, of its employment base. As usual, more of the job loss was in the southern half of the balance-of-state.

- **Lynchburg** has had the best performance of all the metro areas in 2009, by a narrow margin, with nonfarm employment remaining barely positive by a few hundred jobs most months. The few months nonfarm employment has not been positive, it has been negative by only a couple of hundred. Continued growth in the area's private colleges, which have experienced record enrollments, has been enough to offset the impact of mostly temporary factory layoffs in the still fairly large manufacturing sector. Some professional hires in the region's green/nuclear manufacturing industry have also helped.

  Unemployment has risen to the six to seven percent range because of fairly frequent inventory factory furloughs.

- **Harrisonburg** has also seen nonfarm employment near neutral in 2009. The large James Madison state university with its research and support industries kept employment a few hundred jobs positive the first part of the year. After mid-year, Harrisonburg nonfarm employment turned a few hundred jobs negative because of state budget cuts at the university and mostly temporary layoffs in manufacturing. Like Lynchburg, this area's employment base seems minimally impacted by the recession.

  Unemployment has been in the five to six percent range, making Harrisonburg consistently the third-lowest Virginia metropolitan area.

Lynchburg and Harrisonburg have seen relatively little job loss, and Hampton Roads and Northern Virginia were the best performing large areas.

- **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** has fared the best of Virginia's three large metropolitan areas this year because of the large federal defense presence in this area. Nonfarm employment has generally averaged less than one percent negative with a loss of 5,000 to 8,000 jobs, compared to the same month a year ago. Job losses have been less than one percent. Federal civilian employment has been boosted by about 1,500 jobs to 50,000. Both the 100,000-job professional and business services and the 23,000-job shipbuilding sectors have expanded slightly. The federal stimulus monies are funding construction and other projects on the military bases. Health care and higher education have augmented staff levels this year. Tourism got off to a slow start this past spring, but seemed to be much stronger after July. Keeping nonfarm employment slightly negative in 2009 have been reductions in construction, retail trade, finance, and the shipment of merchandise through the ports.

  Unemployment in Hampton Roads has been in the six to seven percent range, up from the four to five percent range last year due to the general sluggish economy. Even with this year's higher unemployment, Hampton Roads has usually placed in the top five best U.S. major metro areas for unemployment. Hampton Roads was the second-best major area in October 2009.

- **Northern Virginia** has had job losses of about 13,000, or one percent, in 2009. The biggest cutbacks have been in construction, trade, information, and miscellaneous services. Professional and business services turned negative after mid-year because of losses in temporary employment services and at architectural and engineering firms. The computer software writers have continued to hire. Tourism got off to a slow start this past spring, but by summer appeared to be booming. The new administration in Washington has apparently attracted a lot of additional travelers to the greater Washington, D.C. area this year. Federal civilian government employment of 85,000 has expanded by about 1,500, and there has been a slight increase in state higher education jobs. Stimulus monies are being spent on projects at Quantico and other military posts.

Unemployment has increased from three percent last year to nearly five percent now by the generally sluggish economy, but Northern Virginia still has the lowest jobless rate of any large U.S. metro area. (Northern Virginia is not treated as separate from the greater Washington, D.C. metropolitan area in national statistics.)

- **Blacksburg-Christiansburg-Radford** has seen nonfarm employment negative by about one percent due to temporary and permanent layoffs in its vehicle- and vehicle component-related manufacturing sector. Increased enrollments at the two large state universities (Virginia Tech and Radford) and gains in their supporting industries have blunted much of the factory losses.

  Unemployment has averaged seven to eight percent because of the factory layoffs.

- **Charlottesville** has experienced about two percent job loss in 2009, mostly in trade, services, construction, tourism, and the general economy. The large University of Virginia/University Medical Center, which comprises about one-fifth of area nonfarm employment, appears more affected by state budget cuts than some other state educational institutions. Federal government employment has expanded with new agencies moving to the area.

  Unemployment continues to be the second best of Virginia's ten metro areas with joblessness in the five percent range.

- The **Roanoke** area has had job losses in the two percent range stemming from general cutbacks in construction, manufacturing, trade/transportation, business services, information, finance, and tourism. The one bright spot has been continued job expansion at Carilion Clinic.

  Unemployment has averaged in the seven percent range.

- The **Danville** area, Virginia's smallest metro area, has had job losses in the two to three percent range, mostly as a result of temporary inventory layoffs in its proportionately large manufacturing sector. Recent new factory and higher education employers have helped, and Danville has not suffered as much in this recession, proportionately, as neighboring Southside Virginia communities.

  Unemployment was the highest of the state's ten metro areas going into the recession, and it is still the highest, averaging between eleven and twelve percent.

- The **Richmond** area, which historically has weathered recessions better than most U.S. metro areas, has been hit fairly hard in this recession. An unfortunate series of failures of locally headquartered corporations, such as Circuit City, Land America, Qimonda, and Wachovia Securities, has caused a job loss of about 25,000, or four percent. The DuPont plant has also laid off workers. This has created significant job losses in construction, manufacturing, retailing, and finance. The Richmond area used to weather recessions better than many U.S. areas because of a diversified core of conservative local and regional businesses that were so astutely managed that they did not usually get caught up in national downturns. In the last three decades, most of the above businesses either expanded nationally, or were bought up, or merged with, national concerns with the decision-making process often being removed from the local area. Now when recessions come, these firms seem to get quickly caught up in national downturns. The Richmond area still has some things going for it with an expansion of about 8,000 jobs in the health care and higher education component and the mammoth federal expansion project at Fort Lee.

  The recent layoffs have boosted **unemployment** to the seven to eight percent range. Were it not for the health care and higher education expansion and the Fort Lee project, the Richmond area would probably have double-digit unemployment like some other southern metro areas, such as Charlotte, North Carolina, and Atlanta, Georgia. The Richmond area still barely remained in the top ten best U.S. metro area listing for unemployment.

- **Winchester, Virginia/West Virginia** had the largest percentage job loss of the Virginia metro areas at better than four percent. The Winchester area lost about 2,500 jobs from its 54,000 nonfarm employment base. Winchester's manufacturing sector is oriented to making products for the construction and motor vehicle industries, and it recently has experienced significant job losses. Construction is also down like almost everywhere else. The good thing is service industry losses have been relatively minor. Also, there have been recent expansions in health care and at federal government installations in the area.

  Unemployment is in the seven percent range because of the factory layoffs, but in bad times, Winchester also picks up unemployment from area residents, who had formerly been working outside the metropolitan area in neighboring communities.

- With the ten metropolitan areas combined showing an average net job loss of 60,800, or 1.9 percent, out of the 92,600 statewide net job loss, the nonmetropolitan rural **balance-of-state** lost an average net 31,800 jobs, or over eight percent, of its employment base. As usual, most rural areas above Interstate 64, as a whole, lost proportionately fewer jobs than the smaller factory-oriented rural areas below that highway. Of Virginia's three micropolitan areas (defined labor markets smaller than a metropolitan area), **Culpeper County** lost 800 jobs with unemployment in the seven percent range; **Staunton-Waynesboro-Augusta County** lost 2,700 jobs with unemployment in the six percent range; and **Martinsville-Henry County** lost 2,400 jobs with unemployment over fifteen percent. The **Southwest Virginia** coalfields saw unemployment rise from the five percent range to the seven percent range, but proportionately have not been hit as hard by this recession as some other areas. The rural areas along the North Carolina border west of Interstate 95 have generally had double-digit unemployment. **Arlington County**, with unemployment in the four percent range, has consistently in 2009 had the lowest jobless rate. **Martinsville city** has consistently been the highest Virginia jurisdiction this year with twenty percent unemployment.

Hours and earnings series seem to indicate the start of recovery.

The seasonally adjusted nonagricultural employment figures saw relatively little movement in Third Quarter 2009 and registered no change (less than plus or minus 0.5 percent) on our pages 19 and 20 tables. Nonfarm employment was down by 8,200 in July from June's 3,662,700, rose 2,400 in August, and then was down 1,400 in September, settling at 3,655,500. Subsequent preliminary fourth quarter data indicates that the recessionary employment slide may have been bottoming out in Third Quarter 2009 in Virginia. Manufacturing employment sunk from 239,500 in June to the lowest figures since the late 1940s, being 236,900 in July and 236,400 in August, before rising slightly to 237,300 in September. The July drop of 2,600 to 236,900 was the only change to register on the tables.

The four unemployment-related series were all positive in July and mixed in August and September. The total seasonally adjusted unemployment rate was down from 7.1 percent in June to 6.9 percent in July and 6.6 percent in August. The total jobless rate was unchanged from August at 6.6 percent in September. New first-time claims for jobless benefits fell from 10,732 in June to 7,892 in July, rose to 9,100 in August, then slid again to 8,687 in September. The insured unemployment rate (the ratio of claims to those eligible to draw claims) was down from June's record 2.84 percent to 2.41 percent in July, rose to 2.78 percent in August, then was back down to 2.43 percent in September. Final payments for unemployment insurance benefits fell from 12,298 in June to 10,783 in July and 10,677 in August, before rising to a new high of 14,178 in September.

The four production worker hours and earnings series were largely positive all quarter. The length of the workweek rose all quarter from 41.4 hours in June to 43.3 hours in July, 43.4 hours in August, and 43.9 hours in September. After inventories were depleted last spring, new orders have been coming in, and employers have been filling them by working their existing employees overtime. Also, orders for export to the Asian countries have been picking up. Average production hours were up from June's 7,763,000 to 8,000,000 in July, were off to 7,979,000 in August, but climbed back to 8,084,000 in September, a ten-month high. The two earnings indicators gained all quarter. Average hourly earnings rose from $18.76 in June to records of $19.19 in July, $19.40 in August, and $19.56 in September. The average weekly wage climbed from $776.17 in June to records of $828.65 in July, $847.16 in August, and $858.19 in September.

The often volatile four business-related series were mostly positive in July, mostly negative in August, and mostly positive again in September. Single family housing permits rose from 1,270 in June to 1,597 in July, were back down to 1,398 in August, and then increased to 1,590 in September. New business incorporations were up from 1,029 in June to 1,159 in July, but then slid back to 1,079 in August, and 1,013 in September. New light vehicle registrations were unchanged from June to July (27,992 to 27,894), then rose to 30,744 in August, and 35,958 in September when the "cash for clunkers" sales were recorded. Taxable retail sales were unchanged from June to July ($8,321 million to $8,320 million), down in August to $7,934 million, then were up to $8,375 million in September with back-to-school shopping.

Employment Indicators

	Nonagricultural Wage and Salary Employment* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	3,719.8	3,774.0	270.2	271.9	3.6	3.4
February	3,728.1	3,775.9	267.2	268.6	3.6	3.5
March	3,749.0	3,768.5	265.7	267.1	3.6	3.6
April	3,770.5	3,773.5	267.7	268.0	3.2	3.7
May	3,787.7	3,768.6	266.6	266.7	3.6	3.8
June	3,806.8	3,759.5	266.8	265.4	4.0	3.9
July	3,765.3	3,768.6	265.3	265.0	4.1	4.0
August	3,759.1	3,769.5	265.0	264.0	4.3	4.1
September	3,766.6	3,762.8	263.7	263.0	4.1	4.1
October	3,757.9	3,748.7	261.8	261.6	4.2	4.3
November	3,748.1	3,725.1	258.4	258.3	4.6	4.6
December	3,731.4	3,704.1	257.2	256.6	5.1	5.0
2009						
January	3,656.0	3,709.4	253.1	254.7	6.4	6.0
February	3,644.9	3,691.8	249.2	250.6	7.0	6.6
March	3,653.6	3,672.7	248.2	249.5	6.9	6.8
April	3,670.5	3,673.4	243.8	244.1	6.6	6.8
May	3,690.5	3,671.8	241.6	241.6	7.0	7.1
June	3,708.9	3,662.7	240.8	239.5	7.3	7.1
July	3,651.2	3,654.5	237.1	236.9	6.9	6.9
August	3,646.7	3,656.9	237.3	236.4	6.5	6.6
September	3,659.2	3,655.5	237.9	237.3	6.5	6.6

* These series have been adjusted to First Quarter 2008 benchmarks.

Unemployment Insurance Indicators

	Average Weekly Initial Claims		Insured Unemployment Rate (Percent)*		Unemployment Insurance Final Payments	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	8,194	5,432	1.16	0.93	3,747	3,327
February	5,407	5,513	1.11	0.96	3,040	3,179
March	5,001	5,456	1.23	1.18	3,295	3,137
April	4,777	5,768	1.06	1.08	4,311	4,072
May	4,772	5,734	1.02	1.05	3,562	3,274
June	4,994	5,764	1.16	1.26	3,641	3,639
July	5,698	5,214	1.13	1.16	4,603	4,326
August	4,741	5,902	1.09	1.23	3,768	3,468
September	5,900	7,280	0.93	1.12	4,300	4,815
October	7,122	7,844	1.15	1.24	3,856	4,199
November	8,940	8,305	1.57	1.58	3,649	4,255
December	13,603	9,888	2.01	1.86	5,460	6,097
2009						
January	13,246	8,782	2.16	1.74	5,359	4,758
February	11,538	11,765	2.55	2.21	6,138	6,418
March	11,545	12,596	2.94	2.83	8,669	8,252
April	8,840	10,674	2.51	2.56	9,219	8,709
May	8,705	10,458	2.64	2.72	9,733	8,945
June	9,298	10,732	2.63	2.84	12,305	12,298
July	8,625	7,892	2.35	2.41	11,474	10,783
August	7,309	9,100	2.47	2.78	11,602	10,677
September	7,040	8,687	2.03	2.43	12,662	14,178

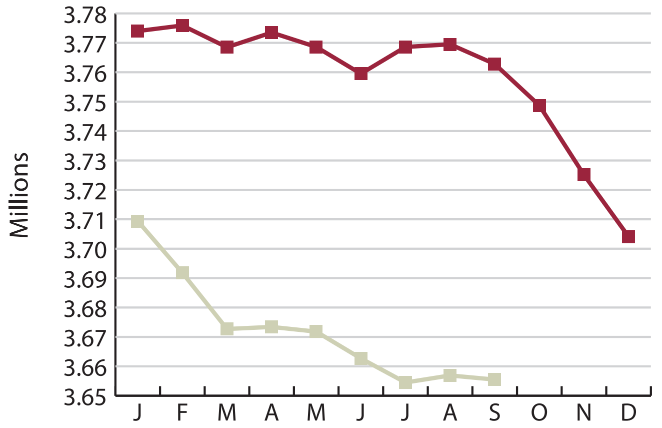
* January through March and June 2009 corrected.

January 2008 - September 2009

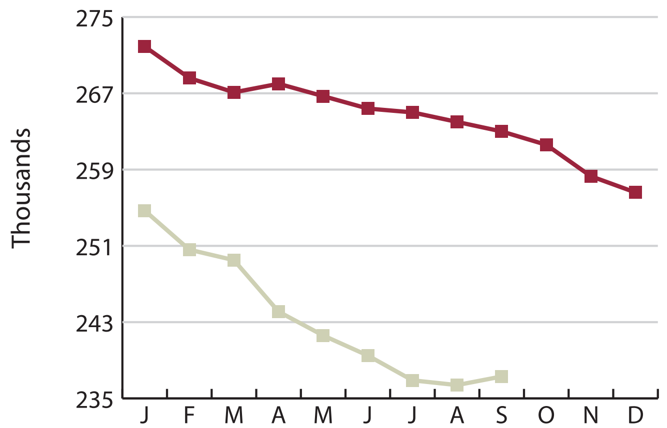
2008 2009

Employment Indicators

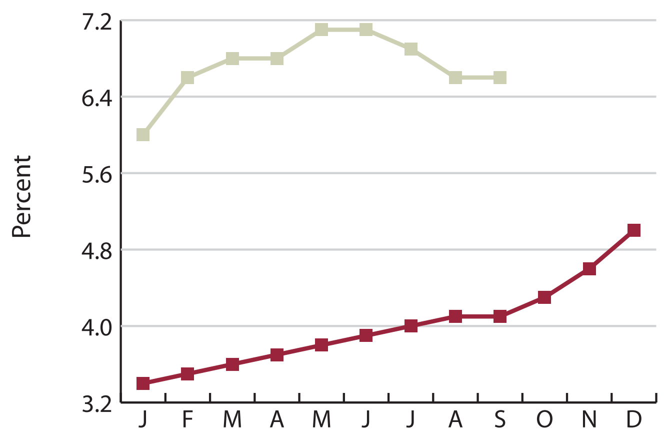
Nonagricultural Wage and Salary Employment



Manufacturing Employment

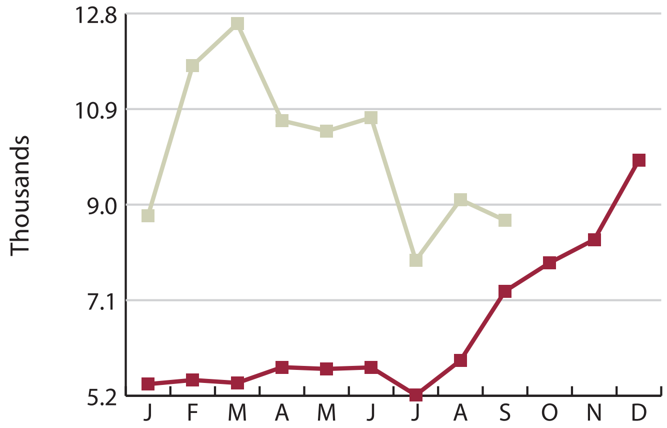


Total Unemployment Rate

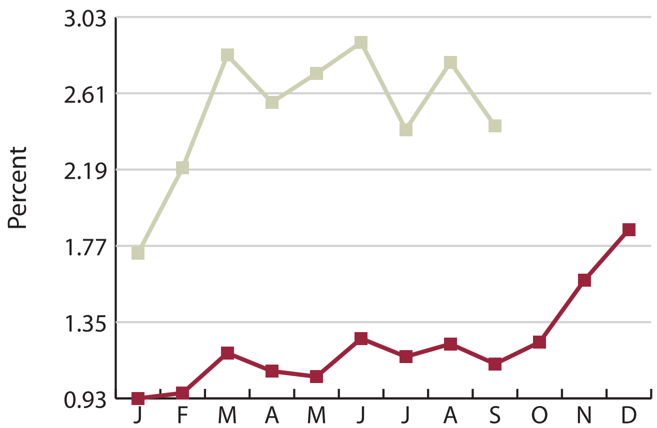


Unemployment Insurance Indicators

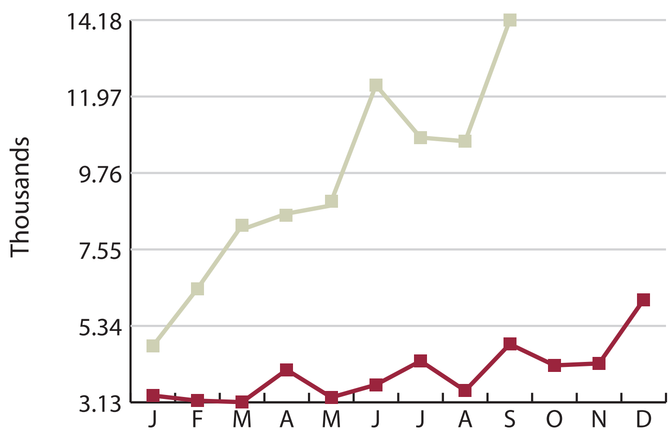
Average Weekly Initial Claims



Insured Unemployment Rate



Unemployment Insurance Final Payments



Manufacturing Production Worker Indicators

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	43.4	43.2	18.29	18.24	8.85	8.77
February	43.8	43.8	18.22	18.21	8.79	8.72
March	43.5	43.7	18.19	18.26	8.70	8.73
April	42.9	43.5	18.29	18.25	8.68	8.70
May	44.4	44.1	18.16	18.29	8.53	8.65
June	43.9	43.4	18.43	18.36	8.56	8.59
July	43.1	43.4	18.56	18.56	8.58	8.65
August	43.4	43.5	18.64	18.69	8.66	8.71
September	41.9	42.2	18.53	18.58	8.62	8.67
October	43.0	42.8	18.45	18.43	8.70	8.72
November	40.4	40.8	18.02	18.03	8.69	8.64
December	40.2	39.6	18.16	18.08	8.87	8.69
2009						
January	39.4	39.2	18.19	18.14	8.84	8.77
February	40.2	40.2	18.03	18.02	8.72	8.65
March	39.3	39.5	18.12	18.19	8.74	8.78
April	39.8	40.3	18.30	18.26	8.80	8.82
May	41.7	41.5	18.71	18.84	8.96	9.09
June	41.9	41.4	18.83	18.76	8.93	8.96
July	43.0	43.3	19.19	19.19	9.12	9.19
August	43.3	43.4	19.34	19.40	9.16	9.21
September	43.6	43.9	19.51	19.56	9.23	9.29

* These series have been adjusted to First Quarter 2008 benchmarks.

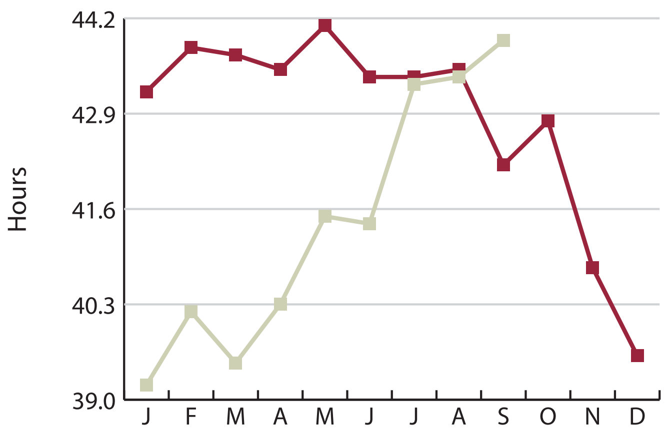
Manufacturing Production Worker Indicators (continued)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	9,144	9,160	793.79	788.86	383.95	379.37
February	9,102	9,173	798.04	797.87	385.05	382.74
March	8,996	9,092	791.27	795.95	378.33	380.00
April	8,949	9,068	784.64	794.29	372.40	377.47
May	9,231	9,187	806.30	807.14	378.92	379.58
June	9,158	9,010	809.08	795.93	375.93	372.92
July	8,952	9,007	799.94	803.31	369.82	374.48
August	9,019	8,988	808.98	818.37	375.84	381.88
September	8,652	8,676	776.41	783.31	361.23	365.53
October	8,815	8,762	793.35	789.35	373.90	371.27
November	8,165	8,250	728.01	734.80	351.19	352.90
December	8,080	7,931	730.03	714.17	356.44	346.42
2009						
January	7,750	7,764	716.69	712.20	348.42	344.25
February	7,819	7,880	724.81	724.67	350.64	348.52
March	7,577	7,657	712.12	716.35	343.66	345.18
April	7,526	7,626	728.34	737.26	350.29	355.05
May	7,852	7,814	780.21	780.99	373.71	374.35
June	7,890	7,763	788.98	776.17	373.97	370.97
July	7,951	8,000	825.17	828.65	391.96	396.88
August	8,006	7,979	837.42	847.16	396.59	402.95
September	8,062	8,084	850.64	858.19	402.53	407.34

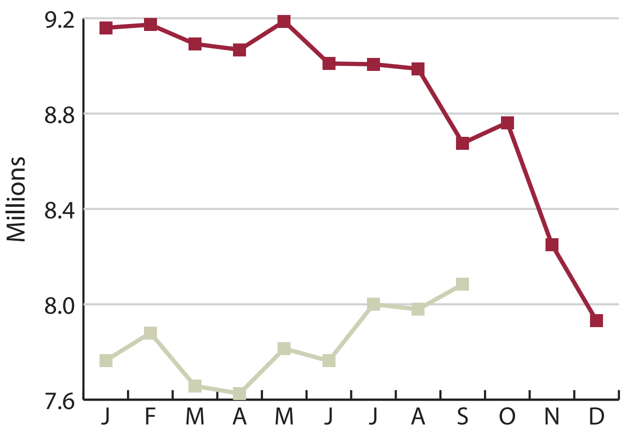
* These series have been adjusted to First Quarter 2008 benchmarks.

Manufacturing Production Worker Indicators

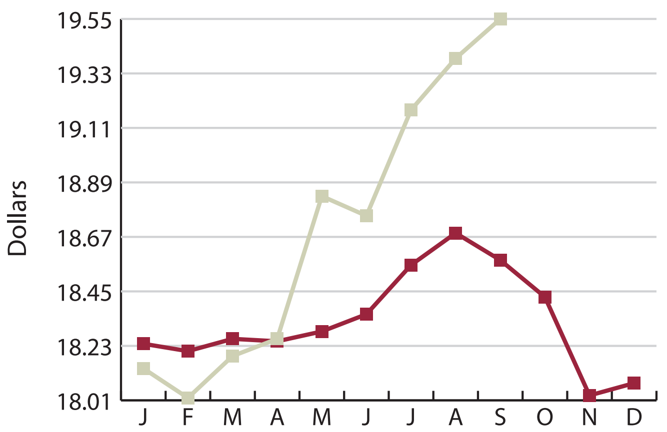
Average Weekly Hours



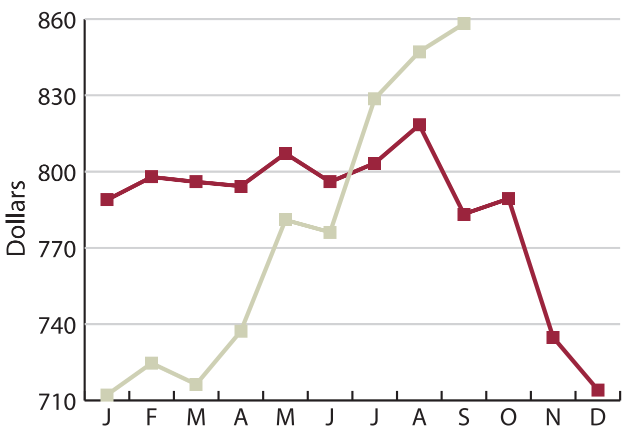
Total Production Hours



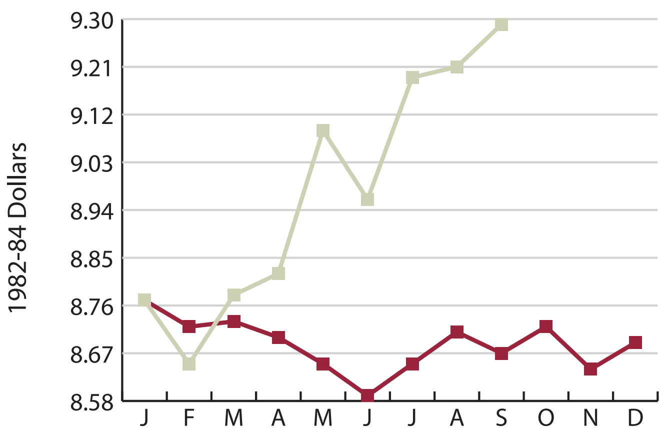
Average Hourly Earnings



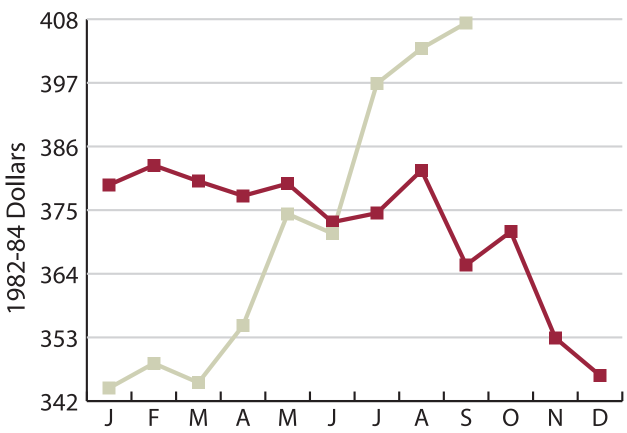
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



Business Indicators

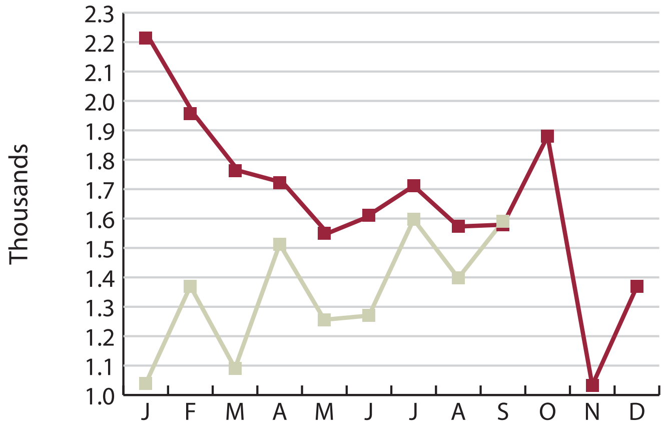
	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	1,891	2,214	1,578	1,528	38,869	41,100
February	1,865	1,956	1,329	1,298	31,615	39,991
March	2,045	1,763	1,604	1,290	37,113	35,723
April	1,947	1,722	1,761	1,651	39,156	36,859
May	1,818	1,550	1,453	1,340	40,756	35,757
June	1,905	1,612	1,344	1,289	41,337	35,840
July	1,821	1,711	1,400	1,452	38,733	36,084
August	1,635	1,573	1,087	1,130	34,003	29,884
September	1,422	1,579	1,236	1,287	34,522	33,191
October	1,789	1,880	1,125	1,252	29,138	28,964
November	873	1,033	822	1,025	19,032	22,935
December	1,010	1,369	1,153	1,263	23,637	30,316
2009						
January	887	1,039	1,096	1,061	23,181	24,512
February	1,306	1,370	1,146	1,120	20,790	26,296
March	1,266	1,091	1,156	930	24,232	23,325
April	1,710	1,513	1,327	1,244	28,551	26,877
May	1,473	1,256	1,074	991	28,224	24,762
June	1,501	1,270	1,073	1,029	32,286	27,992
July	1,699	1,597	1,118	1,159	29,941	27,894
August	1,453	1,398	1,038	1,079	34,980	30,744
September	1,432	1,590	973	1,013	37,400	35,958

Business Indicators (continued)

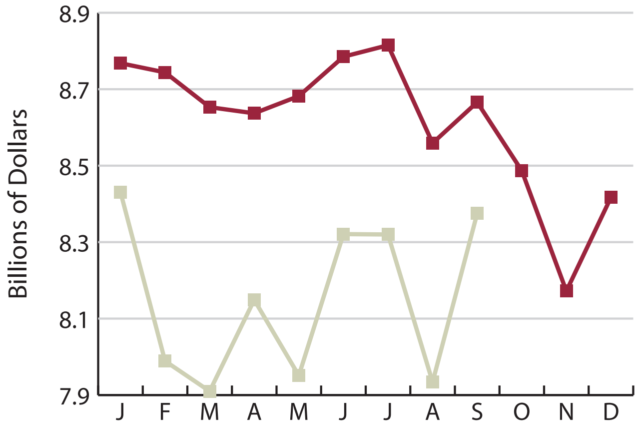
	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
2008	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	7,599	8,768	3,676	4,215
February	7,692	8,744	3,711	4,192
March	8,728	8,653	4,173	4,131
April	8,538	8,637	4,052	4,115
May	8,786	8,682	4,129	4,109
June	9,382	8,785	4,359	4,118
July	8,712	8,815	4,028	4,088
August	8,514	8,559	3,955	4,004
September	8,622	8,666	4,011	4,063
October	8,527	8,487	4,019	3,989
November	7,962	8,172	3,841	3,921
December	10,220	8,417	4,990	4,049
2009				
January	7,307	8,431	3,552	4,073
February	7,028	7,989	3,400	3,840
March	7,978	7,910	3,850	3,812
April	8,056	8,149	3,874	3,934
May	8,046	7,951	3,854	3,836
June	8,887	8,321	4,212	3,979
July	8,223	8,320	3,906	3,965
August	7,892	7,934	3,738	3,783
September	8,333	8,375	3,943	3,994

Business Indicators

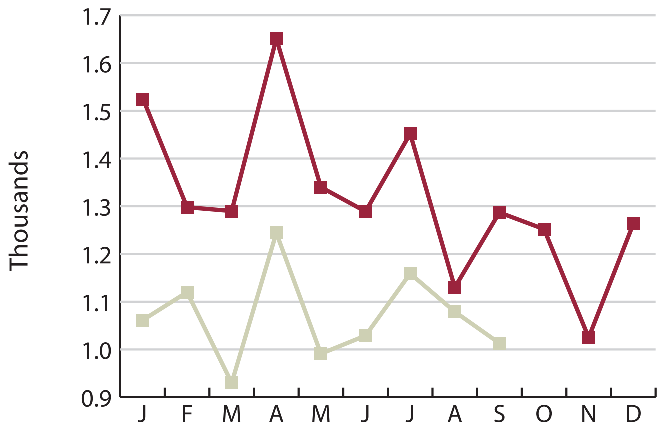
Single Family Housing Permits



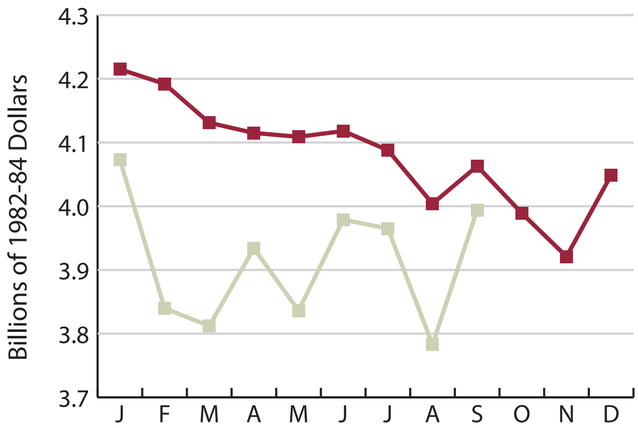
Taxable Retail Sales



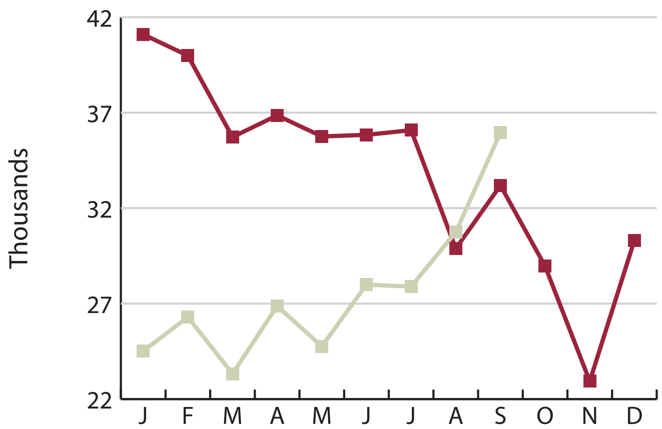
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



Data Summary (Seasonally Adjusted Data)

July 2009

	Jul. 2009	Jun. 2009	Jul. 2008	Jun. 09-Jul. 09	Jul. 08-Jul. 09
				Percent & Direction of Change**	
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,654.5	3,662.7	3,768.6	-0.2 (0)	-3.0 (-)
*Manufacturing Employment (000)	236.9	239.5	265.0	-1.1 (-)	-10.6 (-)
*Total Unemployment Rate (%)	6.9	7.1	4.0	(+)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	7,892	10,732	5,214	-26.5 (+)	51.4 (-)
Insured Unemployment Rate (%)	2.41	2.84	1.16	(+)	(-)
Final Payments	10,783	12,298	4,326	-12.3 (+)	149.3 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.3	41.4	43.4	4.6 (+)	-0.2 (0)
*Total Production Hours (000)	8,000	7,763	9,007	3.1 (+)	-11.2 (-)
*Average Hourly Earnings ($)	19.19	18.76	18.56	2.3 (+)	3.4 (+)
*Average Weekly Earnings ($)	828.65	776.17	803.31	6.8 (+)	3.2 (+)
BUSINESS					
Single Family Housing Permits	1,597	1,270	1,711	25.7 (+)	-6.7 (-)
New Business Incorporations	1,159	1,029	1,452	12.6 (+)	-20.2 (-)
New Vehicle Registrations	27,894	27,992	36,084	-0.4 (0)	-22.7 (-)
Taxable Retail Sales ($M)	8,320	8,321	8,815	0.0 (0)	-5.6 (-)

August 2009

	Aug. 2009	Jul. 2009	Aug. 2008	Jul. 09-Aug. 09	Aug. 08-Aug. 09
				Percent & Direction of Change**	
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,656.9	3,654.5	3,769.5	0.1 (0)	-3.0 (-)
*Manufacturing Employment (000)	236.4	236.9	264.0	-0.2 (0)	-10.5 (-)
*Total Unemployment Rate (%)	6.6	6.9	4.1	(+)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	9,100	7,892	5,902	15.3 (-)	54.2 (-)
Insured Unemployment Rate (%)	2.78	2.41	1.23	(-)	(-)
Final Payments	10,677	10,783	3,468	-1.0 (+)	207.9 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.4	43.3	43.5	0.2 (0)	-0.2 (0)
*Total Production Hours (000)	7,979	8,000	8,988	-0.3 (0)	-11.2 (-)
*Average Hourly Earnings ($)	19.40	19.19	18.69	1.1 (+)	3.8 (+)
*Average Weekly Earnings ($)	847.16	828.65	818.37	2.2 (+)	3.5 (+)
BUSINESS					
Single Family Housing Permits	1,398	1,597	1,573	-12.5 (-)	-11.1 (-)
New Business Incorporations	1,079	1,159	1,130	-6.9 (-)	-4.5 (-)
New Vehicle Registrations	30,744	27,894	29,884	10.2 (+)	2.9 (+)
Taxable Retail Sales ($M)	7,934	8,320	8,559	-4.6 (-)	-7.3 (-)

SEPTEMBER 2009

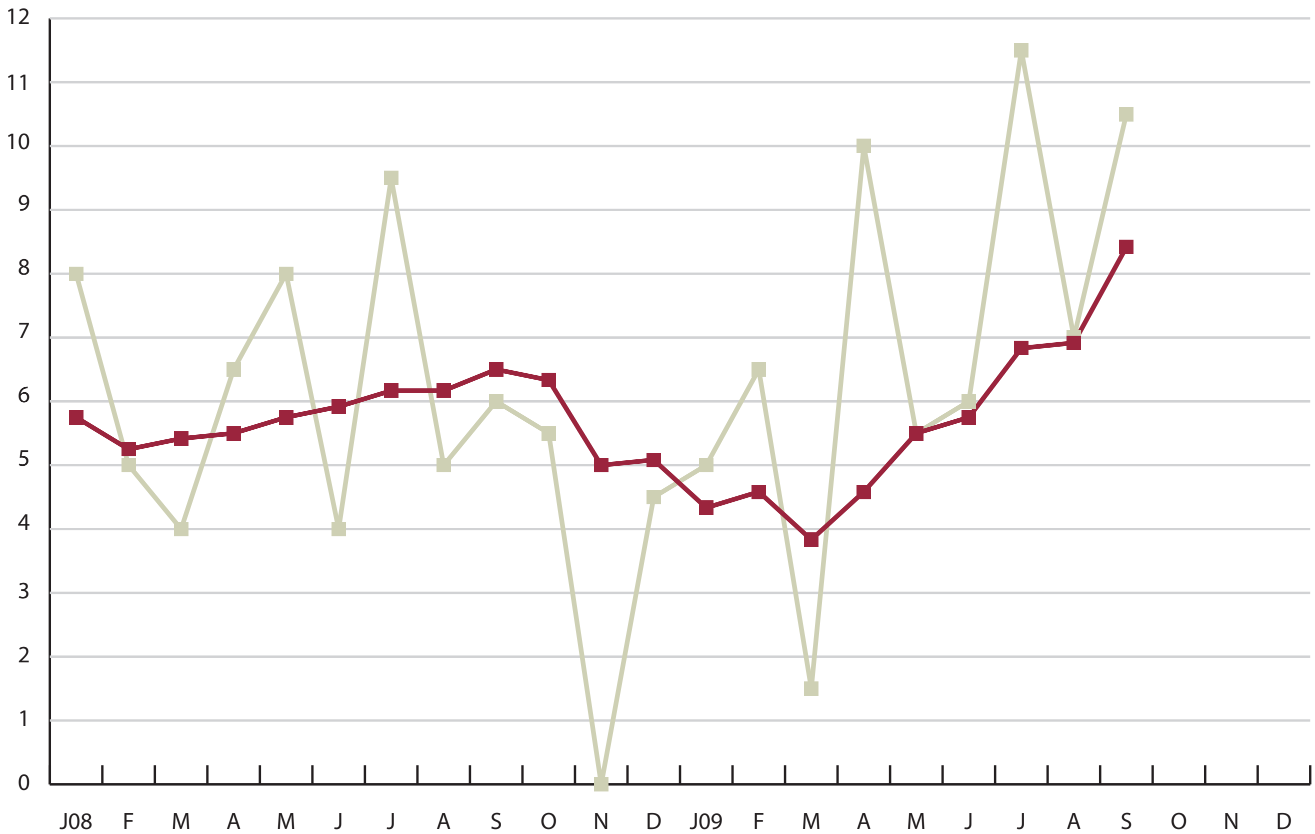
Percent & Direction of Change**

	Sep. 2009	Aug. 2009	Sep. 2008	Aug. 09-Sep. 09	Sep. 08-Sep. 09
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,655.5	3,656.9	3,762.8	0.0 (0)	-2.9 (-)
*Manufacturing Employment (000)	237.3	236.4	263.0	0.4 (0)	-9.8 (-)
*Total Unemployment Rate (%)	6.6	6.6	4.1	(0)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	8,687	9,100	7,280	-4.5 (+)	19.3 (-)
Insured Unemployment Rate (%)	2.43	2.78	1.12	(+)	(-)
Final Payments	14,178	10,677	4,815	32.8 (-)	194.5 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.9	43.4	42.2	1.2 (+)	4.0 (+)
*Total Production Hours (000)	8,084	7,979	8,676	1.3 (+)	-6.8 (-)
*Average Hourly Earnings ($)	19.56	19.40	18.58	0.8 (+)	5.3 (+)
*Average Weekly Earnings ($)	858.19	847.16	783.31	1.3 (+)	9.6 (+)
BUSINESS					
Single Family Housing Permits	1,590	1,398	1,579	13.7 (+)	0.7 (+)
New Business Incorporations	1,013	1,079	1,287	-6.1 (-)	-21.3 (-)
New Vehicle Registrations	35,958	30,744	33,191	17.0 (+)	8.3 (+)
Taxable Retail Sales ($M)	8,375	7,934	8,666	5.6 (+)	-3.4 (-)

* Revised to 1st Quarter 2008 benchmarks.
** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

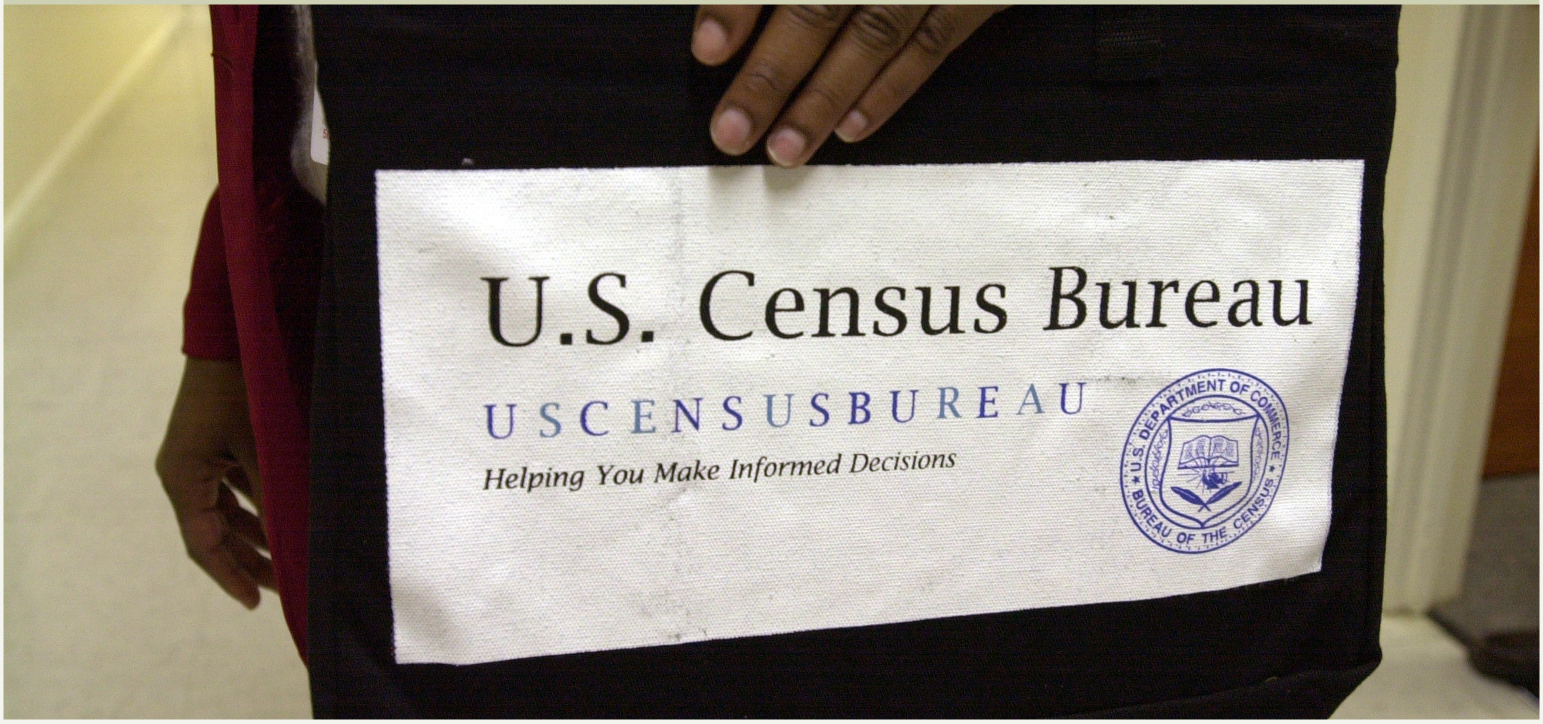
NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged

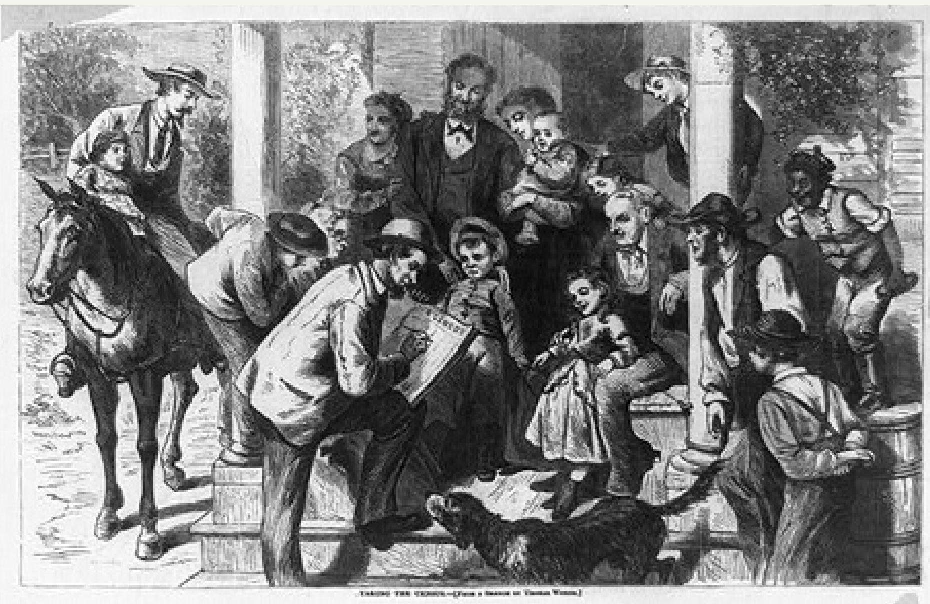


Power, Money, and Intelligence—What the 2010 Census Will Mean to Virginia

by Larry Robinson, Senior Economist and Geographic Information Systems Manager



Although "power, money, and intelligence" sound like promises from a late-night infomercial, the 2010 Census will benefit Virginians in many ways.



Harper's Weekly 1870 Census Takers

The U.S. Constitution mandates a counting of the country's people every 10 years.

The first decennial census was held in 1790 when federal marshals rode on horseback counting a population of nearly four million people in the original 13 states. Today the census is very different, in scope, data collections, and applications.

Power

Originally, the census was designed to apportion taxes and determine state seat allotment in the U.S. House of Representatives. Today, the census is no longer used for tax purposes, but the results of the census will be used to determine how many seats Virginia will get in the U.S. House of Representatives. States gaining in population may add seats while states declining in population may lose seats.

The first set of data released after 2010 will be the redistricting data file that will be used to redraw legislative boundaries based on the new census information.

Money

The Census Bureau estimates that $400 billion are distributed to states and localities *each year* based on census results. Although these are national figures, Virginia receives a proportional amount of these total federal dollars.

Intelligence

Census data is used for both public and private decisions. Locations of roads, hospitals, schools, and countless other construction projects are often determined based on statistics from the census. Business decisions on where to place ATMs, open fast food restaurants, and more are also often based, at least partially, on census data.

What are the Key Dates?

March 2010 - Census forms are mailed or delivered to households.

April 2010 - Forms are to be returned to the Census Bureau.

April - July 2010 - Census takers visit households that did not return a form by mail.

December 2010 - The Census Bureau delivers the first population information to the President.

April 2011 - The Census Bureau completes delivery of redistricting data to states.

What is New in the 2010 Census?

The New Short Form

Two forms were used during the 2000 Census. The "short form" asked questions on the most basic demographic and housing topics. These questions asked about age, sex, race, Hispanic origin, the number of people living in the housing unit, and if the housing unit was owned or rented by the resident.

The "long form" collected the same information as the "short form," but it also asked questions on additional topics. Thirty-two questions were asked of each resident of the housing unit on such topics as marital status, education, language spoken at home, employment, occupation, and others. Additionally, 21 questions were asked about the housing unit itself.

The data from the long form, which only a portion of the population received, are called "sample data." The basic data collected on both the short and the long forms are called "100 percent data" since these questions were asked for 100 percent of the U.S. population.

The upcoming 2010 Census will include only one form sent to the entire U.S. population. That form will ask only questions similar to those contained in previous census short forms. The 2010 Census will provide a basic count of the U.S. population, collecting only the most basic demographic and housing information. Detailed demographic, social, economic, and housing data will *no longer* be collected as part of the decennial census.

United States Census 2010

This is the official form for all the people at this address.
It is quick and easy, and your answers are protected by law.

U.S. DEPARTMENT OF COMMERCE
Economics and Statistics Administration
U.S. CENSUS BUREAU

Use a blue or black pen.

Start here

The Census must count every person living in the United States on April 1, 2010.

Before you answer Question 1, count the people living in this house, apartment, or mobile home using our guidelines.

- Count all people, including babies, who live and sleep here most of the time.

The Census Bureau also conducts counts in institutions and other places, so:

- Do not count anyone living away either at college or in the Armed Forces.
- Do not count anyone in a nursing home, jail, prison, detention facility, etc., on April 1, 2010.
- Leave these people off your form, even if they will return to live here after they leave college, the nursing home, the military, jail, etc. Otherwise, they may be counted twice.

The Census must also include people without a permanent place to stay, so:

- If someone who has no permanent place to stay is staying here on April 1, 2010, count that person. Otherwise, he or she may be missed in the census.

1. How many people were living or staying in this house, apartment, or mobile home on April 1, 2010?

Number of people = ☐☐

2. Were there any additional people staying here April 1, 2010 that you did not include in Question 1? *Mark ☒ all that apply.*

☐ Children, such as newborn babies or foster children
☐ Relatives, such as adult children, cousins, or in-laws
☐ Nonrelatives, such as roommates or live-in baby sitters
☐ People staying here temporarily
☐ No additional people

3. Is this house, apartment, or mobile home — *Mark ☒ ONE box.*

☐ Owned by you or someone in this household with a mortgage or loan? *Include home equity loans.*
☐ Owned by you or someone in this household free and clear (without a mortgage or loan)?
☐ Rented?
☐ Occupied without payment of rent?

4. What is your telephone number? *We may call if we don't understand an answer.*

Area Code + Number

☐☐☐ – ☐☐☐ – ☐☐☐☐

OMB No. 0607-0919-C: Approval Expires 12/31/2011.

Form **D-61** (1-15-2009)

5. Please provide information for each person living here. Start with a person living here who owns or rents this house, apartment, or mobile home. If the owner or renter lives somewhere else, start with any adult living here. This will be Person 1.

What is Person 1's name? *Print name below.*

Last Name

First Name MI

6. What is Person 1's sex? *Mark ☒ ONE box.*

☐ Male ☐ Female

7. What is Person 1's age and what is Person 1's date of birth?
Please report babies as age 0 when the child is less than 1 year old.
Print numbers in boxes.

Age on April 1, 2010 | Month | Day | Year of birth

➜ **NOTE: Please answer BOTH Question 8 about Hispanic origin and Question 9 about race. For this census, Hispanic origins are not races.**

8. Is Person 1 of Hispanic, Latino, or Spanish origin?

☐ **No,** not of Hispanic, Latino, or Spanish origin
☐ Yes, Mexican, Mexican Am., Chicano
☐ Yes, Puerto Rican
☐ Yes, Cuban
☐ Yes, another Hispanic, Latino, or Spanish origin — *Print origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.*

9. What is Person 1's race? *Mark ☒ one or more boxes.*

☐ White
☐ Black, African Am., or Negro
☐ American Indian or Alaska Native — *Print name of enrolled or principal tribe.*

☐ Asian Indian
☐ Chinese
☐ Filipino
☐ Other Asian — *Print race, for example, Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.*
☐ Japanese
☐ Korean
☐ Vietnamese
☐ Native Hawaiian
☐ Guamanian or Chamorro
☐ Samoan
☐ Other Pacific Islander — *Print race, for example, Fijian, Tongan, and so on.*

☐ Some other race — *Print race.*

10. Does Person 1 sometimes live or stay somewhere else?

☐ No ☐ Yes — *Mark ☒ all that apply.*

☐ In college housing
☐ In the military
☐ At a seasonal or second residence
☐ For child custody
☐ In jail or prison
☐ In a nursing home
☐ For another reason

➜ **If more people were counted in Question 1, continue with Person 2.**

U S C E N S U S B U R E A U

American Community Survey

The data that were collected from the census long form sample are now produced from the new American Community Survey (ACS) which has been implemented and expanded over the last few years.

The content collected by the American Community Survey can be grouped into four main characteristics—social, economic, housing, and demographic.

Social characteristics include topics such as education, marital status, fertility, grandparent caregivers, veterans, disability status, place of birth, citizenship status, year of entry, language spoken at home, and ancestry or tribal affiliation.

Economic characteristics include such topics as income, benefits, employment status, occupation, industry, commuting to work, and place of work.

Housing characteristics include topics such as tenure, occupancy and structure, housing value, taxes and insurance, utilities, and mortgage or monthly rent.

The American Community Survey also collects the basic demographic characteristics such as sex, age, race, and Hispanic origin.

Data Products

The American Community Survey data products are similar to those gathered from the decennial census long form. Like the decennial sample data products, the American Community Survey products show the characteristics of the country's population and housing.

These products include four broad types—profiles, tables, thematic maps, and Public Use Microdata Sample, or PUMS, files. There are multiple types of profiles and tables—data profiles, narrative profiles, comparison profiles, selected population profiles, detailed tables, subject tables, ranking tables, and geographic comparison tables.

Geographic Areas

American Community Survey data will be produced for geographies as large as the nation and as small as block groups, basically the same geographic areas that received sample data from the 2000 Census.

Frequency

As opposed to the decennial census, which produced data once every 10 years, the American Community Survey will provide a continuous stream of updated information for states and local areas. Updated data from the American Community Survey will be released every year.

This "continuous measurement" concept was one of the fundamental selling points that led to the creation of the ACS. Communities can change very quickly. Between decennial censuses, local governments, organizations, and businesses need timely data to assess and plan for local needs. Costly mistakes can result when planners do not have current data on which to base their decisions.

Rather than taking a snapshot of a community once every 10 years, the American Community Survey provides a dynamic and much timelier moving picture, every year.

Microdata

The Public Use Microdata Sample is population and housing unit records from the American Community Survey. The ACS PUMS files include the actual responses collected in ACS questionnaires, although some responses have been edited to protect confidentiality of respondents.

The ACS PUMS files are microdata, which are very different from the summary data. Summary data and tables present measures (counts, averages, and medians) for standard geographic areas, such as states, counties, census tracts, or block groups.

In microdata files, the unit of analysis is the individual housing unit or person, and the records include actual questionnaire responses, with the removal of information that could identify the person filling out the form.

These files are a great resource for researchers, students, government officials, and others who need publicly available and up-to-date information about U.S. population and housing characteristics. Many in academia find the PUMS data useful for regression analysis and modeling applications. Some of these researchers previously used data from the Current Population Survey or other surveys but are now using the ACS because of its larger sample size.

Here are a few sample questions that could be answered with the ACS PUMS:

1. What proportion of children ages 5 to 9 live in households that do not have telephone service?
2. What is the veteran status of college students living in Virginia?
3. What proportion of low-income workers in the western part of Virginia commute 90+ minutes to work?

Conclusion

The 2010 Census promises to be the most complete count ever because of a reduced reporting burden on respondents and unprecedented preparation by the Census Bureau and its partners.

Along with full implementation of the American Community Survey, data users will have access to the most accurate and timely census data ever produced.

Trends in Defense Employment 1998-2008

by James P. Wilson, Senior Economist

Unfortunately, data provided by the Department of Defense (DoD) for 2008 has severe limitations. First, Army military employment by location is mostly absent. (This problem also exists for other states. For example, Fort Knox, Kentucky, shows zero employment in 2008 versus 8,524 in 2007.) Second, the data supposedly includes 39,000 military personnel afloat, but Norfolk's Navy/Marine Corps military personnel fell from 50,894 in 2007 to 8,903 in 2008 and Virginia Beach's from 15,295 in 2007 to 3,821 in 2008. (The transfer of the aircraft carrier *George Washington* and its crew of 3,200 to Japan in April 2008 could explain some of this decrease. Also in 2008, the submarine *Jacksonville* relocated to Pearl Harbor, Hawaii.) Only the Air Force's 2008 data appears to be consistent with its 2007 data. For comparison, see Tables 4A and 4B on pages 29 and 30, which show Department of Defense Military and Civilian Employment by Service Branch, Region, and Locality/Installation for fiscal years 2008 and 2007, respectively.

Despite these limitations, Virginia continues as one of the leading states in total DoD employment[1]. In federal Fiscal Year (FY) 2008, Virginia employed 9.0 percent of all military and civilian DoD employees in the nation, trailing California at 10.4 percent and Texas at 10.1 percent. Virginia employed the largest percentage of civilian personnel, 12.7 percent, ahead of California's 8.6 percent. With the apparent exclusion of military personnel afloat, Virginia employed only 6.6 percent of all military DoD employees, ranking it fifth behind Texas, California, North Carolina, and Georgia. (See Tables below.)

At -10.2 percent, Virginia's decline during FY 2008 was much worse than the nation's -7.5 percent, but this might reflect the apparent absence of the state's large number of shipboard personnel (See Figure 1). It is important to note that these decreases are not part of the Base Realignment and Closure Commission (BRAC) process, whose changes will not begin until 2009.

In FY 2008, DoD civilian employment in Virginia increased, but military employment decreased (See Figure 2). The 4.4 percent increase in FY 2008 DoD civilian employment puts it at its highest level since FY 1996's level of 89,365. DoD military employment decreased significantly; however, the decline was likely the result of problems with the Navy shipboard personnel data discussed above.

Even with the data problems, the Navy is still the largest service branch in Virginia, accounting for over 40 percent of total DoD employment (See Figure 3). Army employment accounts for less than one-third of total DoD employment. Army employment increased in FY 2008 to its highest level since FY 1997's level of 48,151. Air Force employment accounts for 12 percent of total DoD employment. All but a few hundred of the Air Force employment is in Hampton Roads and Northern Virginia, with over 58 percent in Langley AFB. Air Force employment was down slightly from the previous fiscal year.

[1]As reported by the DoD Washington Headquarters Services Directorate for Information, Operations, and Reports (DIOR). Includes only full-time, permanently assigned military and civilian personnel and *excludes* part-time, temporary, and transitional personnel, and National Guard and military reserves. Data in the tables and graphs are shown as provided by DoD.

Top Ten States for Defense Employment
Federal Fiscal Year 2008

Table 1

Total Defense Employment	
California	10.4%
Texas	10.1%
Virginia	9.0%
North Carolina	7.1%
Georgia	6.3%
Florida	4.1%
Washington	4.0%
Maryland	3.6%
Hawaii	3.4%
Kentucky	2.9%

Table 2

Civilian Defense Employment	
Virginia	12.7%
California	8.6%
Texas	6.8%
Georgia	5.3%
Maryland	4.9%
Florida	4.0%
Pennsylvania	3.9%
Washington	3.9%
Alabama	3.5%
Ohio	3.5%

Table 3

Military Employment	
Texas	12.3%
California	11.7%
North Carolina	9.9%
Georgia	7.0%
Virginia	6.6%
Florida	4.2%
Washington	4.1%
Kentucky	4.1%
Hawaii	3.9%
South Carolina	3.5%

Figure 1
Change in DoD Employment—Virginia vs. U.S.

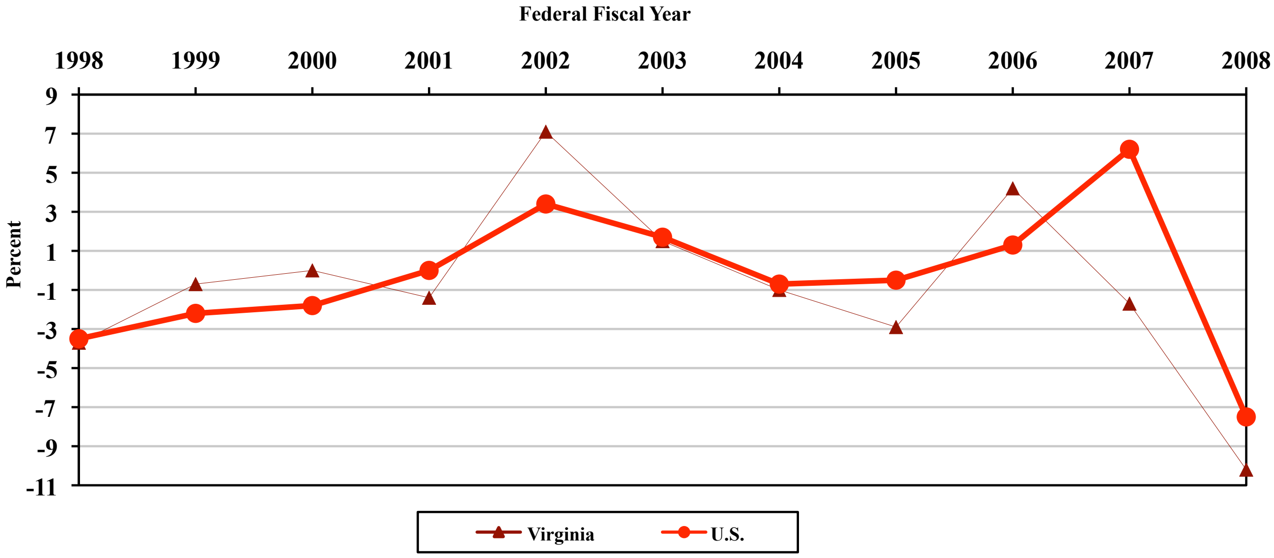


Figure 2
Military vs. Civilian Employment in Virginia

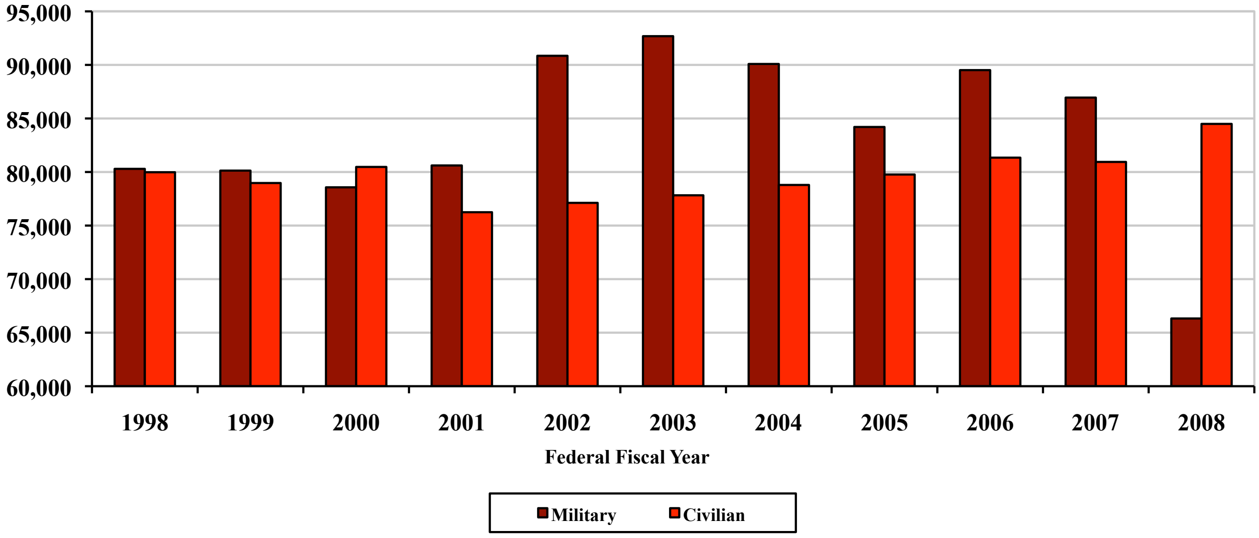


Figure 3
DoD Employment in Virginia by Service Branch

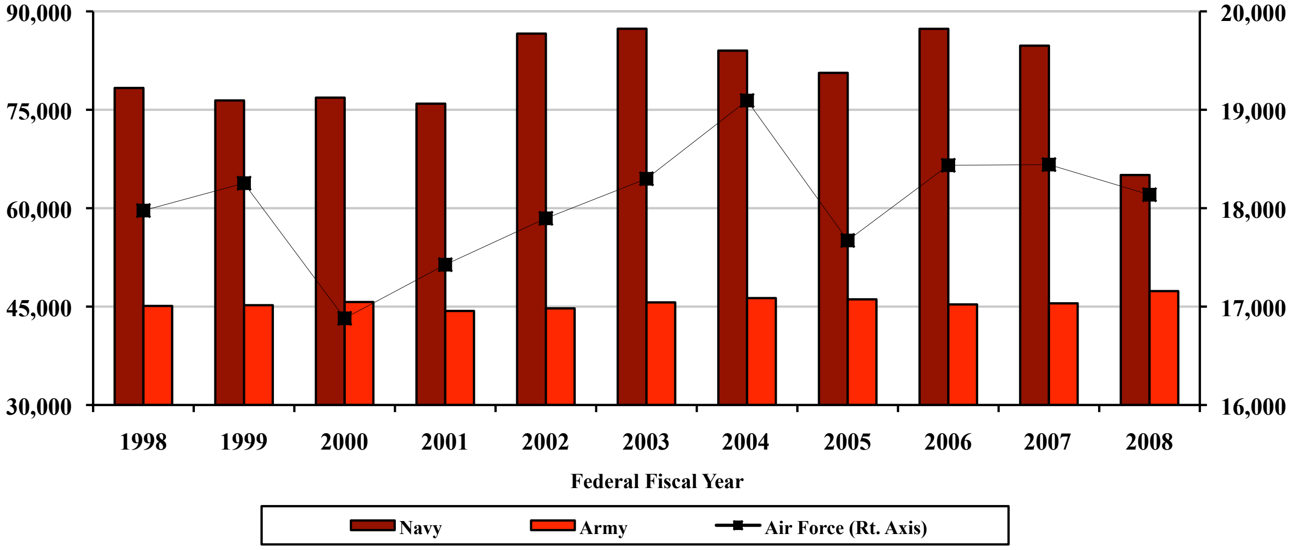


Table 4A

2008 Department of Defense Employment—Military and Civilian by Service Branch, Region, and Locality/Installation

Virginia	Total Defense					Military Personnel				Civilian Personnel				
	Total	Army	Navy (1)(2)	Air Force	Other (3)	Total	Army	Navy (1)(2)	Air Force	Total	Army	Navy (1)	Air Force	Other (3)
	150,816	47,362	65,059	18,137	20,258	66,324	25,560	27,234	13,530	84,492	21,802	37,825	4,607	20,258
Hampton Roads	**39,944**	**3,013**	**25,587**	**9,964**	**1,380**	**24,429**	**-**	**16,464**	**7,965**	**15,515**	**3,013**	**9,123**	**1,999**	**1,380**
Chesapeake	589	1	585	1	2	420	-	419	1	169	1	166	-	2
Ft. Eustis	2,458	2,307	12	3	136	10	-	10	-	2,448	2,307	2	3	136
Ft. Story	154	76	78	-	-	78	-	78	-	76	76	-	-	-
Hampton	316	214	4	5	93	4	-	1	3	312	214	3	2	93
Langley AFB	9,748	22	4	9,570	152	7,616	-	2	7,614	2,132	22	2	1,956	152
Nansemond	254	-	254	-	-	-	-	-	-	254	-	254	-	-
Newport News	526	-	490	2	34	112	-	110	2	414	-	380	-	34
Norfolk	11,161	344	9,986	285	546	9,153	-	8,903	250	2,008	344	1,083	35	546
Portsmouth	4,016	21	3,901	17	77	2,666	-	2,649	17	1,350	21	1,252	-	77
Suffolk	433	11	345	73	4	96	-	25	71	337	11	320	2	4
Virginia Beach	9,660	15	9,324	4	317	3,824	-	3,821	3	5,836	15	5,503	1	317
Williamsburg	122	2	119	1	-	41	-	40	1	81	2	79	-	-
Yorktown	507	-	485	3	19	409	-	406	3	98	-	79	-	19
Northern Virginia	**49,955**	**12,903**	**15,178**	**7,229**	**14,645**	**14,641**	**-**	**9,844**	**4,797**	**35,314**	**12,903**	**5,334**	**2,432**	**14,645**
Alexandria	3,293	2,522	136	104	531	174	-	100	74	3,119	2,522	36	30	531
Arlington	23,524	4,410	5,332	6,445	7,337	7,640	-	3,363	4,277	15,884	4,410	1,969	2,168	7,337
Chantilly	233	5	178	1	49	132	-	132	-	101	5	46	1	49
Falls Church	2,584	273	23	137	2,151	130	-	15	115	2,454	273	8	22	2,151
Ft. Belvoir	8,701	5,075	83	326	3,217	304	-	65	239	8,397	5,075	18	87	3,217
Ft. Myer	635	534	-	-	101	-	-	-	-	635	534	-	-	101
Manassas	157	1	8	1	147	1	-	-	1	156	1	8	-	147
Quantico	9,678	3	9,285	35	355	6,203	-	6,168	35	3,475	3	3,117	-	355
Reston	117	8	1	51	57	44	-	-	44	73	8	1	7	57
Rosslyn	477	57	5	125	290	8	-	-	8	469	57	5	117	290
Springfield	418	10	-	2	406	2	-	-	2	416	10	-	-	406
Woodbridge	138	5	127	2	4	3	-	1	2	135	5	126	-	4
Richmond	**6,405**	**2,090**	**645**	**67**	**3,603**	**675**	**-**	**623**	**52**	**5,730**	**2,090**	**22**	**15**	**3,603**
Ft. Lee	3,022	1,837	253	23	909	268	-	245	23	2,754	1,837	8	-	909
Richmond	3,265	145	392	34	2,694	407	-	378	29	2,858	145	14	5	2,694
Sandston	118	108	-	10	-	-	-	-	-	118	108	-	10	-
Remainder of State	**54,512**	**29,356**	**23,649**	**877**	**630**	**26,579**	**25,560**	**303**	**716**	**27,933**	**3,796**	**23,346**	**161**	**630**
Ceres	565	-	-	565	-	565	-	-	565	-	-	-	-	-
Charlottesville	700	626	41	27	6	64	-	38	26	636	626	3	1	6
Colonial Beach	149	149	-	-	-	149	149	-	-	-	-	-	-	-
Dahlgren	3,866	-	3,702	74	90	65	-	38	27	3,801	-	3,664	47	90
Damascus	139	139	-	-	-	139	139	-	-	-	-	-	-	-
Roanoke	100	14	80	4	2	82	-	79	3	18	14	1	1	2
Wallops Flight Center	142	-	142	-	-	80	-	80	-	62	-	62	-	-
Winchester	379	377	-	2	-	2	-	-	2	377	377	-	-	-
Other	48,472	28,051	19,684	205	532	25,433	25,272	68	93	23,039	2,779	19,616	112	532

Source: DoD Distribution of Personnel by State and by Selected Locations, Washington Headquarters Services Directorate for Information, Operations and Reports (DIOR)
(1) Includes Marine Corps personnel.
(2) Includes military personnel afloat.
(3) The other category within the civilian sector consists of all DoD personnel not classified as Army, Navy/Marine Corps, or Air Force.

Table 4B

2007 Department of Defense Employment—Military and Civilian by Service Branch, Region, and Locality/Installation

Virginia	Total Defense					Military Personnel				Civilian Personnel				
	Total	Army	Navy (1)(2)	Air Force	Other (3)	Total	Army	Navy (1)(2)	Air Force	Total	Army	Navy (1)	Air Force	Other (3)
	206,892	45,498	123,774	18,443	19,177	125,950	24,601	87,622	13,727	80,942	20,897	36,152	4,716	19,177
Hampton Roads	**102,211**	**9,581**	**81,104**	**10,258**	**1,268**	**88,069**	**6,716**	**73,075**	**8,278**	**14,142**	**2,865**	**8,029**	**1,980**	**1,268**
Chesapeake	542	1	540	-	1	407	-	407	-	135	1	133	-	1
Ft. Eustis	8,002	7,841	15	2	144	5,552	5,541	11	-	2,450	2,300	4	2	144
Ft. Story	913	839	74	-	-	842	768	74	-	71	71	-	-	-
Hampton	139	74	5	5	55	4	-	1	3	135	74	4	2	55
Langley AFB	10,048	30	5	9,881	132	7,948	6	3	7,939	2,100	24	2	1,942	132
Nansemond	224	-	224	-	-	-	-	-	-	224	-	224	-	-
Newport News	633	122	475	3	33	218	122	93	3	415	-	382	-	33
Norfolk	53,388	623	51,993	271	501	51,413	279	50,894	240	1,975	344	1,099	31	501
Portsmouth	3,604	23	3,493	15	73	3,095	-	3,080	15	509	23	413	-	73
Suffolk	436	13	354	67	2	90	-	25	65	346	13	329	2	2
Virginia Beach	20,915	12	20,583	6	314	15,300	-	15,295	5	5,615	12	5,288	1	314
Williamsburg	146	3	141	2	-	66	-	64	2	80	3	77	-	-
Yorktown	3,221	-	3,202	6	13	3,134	-	3,128	6	87	-	74	-	13
Northern Virginia	**60,111**	**20,878**	**17,665**	**7,709**	**13,859**	**26,578**	**8,430**	**12,889**	**5,259**	**33,533**	**12,448**	**4,776**	**2,450**	**13,859**
Alexandria	7,816	7,004	150	108	554	4,566	4,373	117	76	3,250	2,631	33	32	554
Arlington	23,793	4,110	5,932	6,735	7,016	8,629	-	4,114	4,515	15,164	4,110	1,818	2,220	7,016
Chantilly	211	3	173	-	35	133	-	133	-	78	3	40	-	35
Fairfax	218	2	4	184	28	185	-	2	183	33	2	2	1	28
Falls Church	2,682	388	33	183	2,078	310	138	17	155	2,372	250	16	28	2,078
Ft. Belvoir	10,216	6,943	161	309	2,803	2,456	2,078	142	236	7,760	4,865	19	73	2,803
Ft. Myer	2,459	2,344	-	-	115	1,841	1,841	-	-	618	503	-	-	115
Manassas	162	1	10	2	149	3	-	1	2	159	1	9	-	149
Quantico	11,444	3	11,086	31	324	8,393	-	8,362	31	3,051	3	2,724	-	324
Reston	112	2	1	54	55	47	-	-	47	65	2	1	7	55
Rosslyn	431	59	1	99	272	10	-	-	10	421	59	1	89	272
Springfield	444	14	1	2	427	2	-	-	2	442	14	1	-	427
Woodbridge	123	5	113	2	3	3	-	1	2	120	5	112	-	3
Richmond	**12,235**	**7,912**	**656**	**223**	**3,444**	**6,732**	**6,036**	**636**	**60**	**5,503**	**1,876**	**20**	**163**	**3,444**
Ft. Lee	8,845	7,668	245	23	909	6,299	6,036	240	23	2,546	1,632	5	-	909
Richmond	3,134	142	411	46	2,535	433	-	396	37	2,701	142	15	9	2,535
Sandston	256	102	-	154	-	-	-	-	-	256	102	-	154	-
Remainder of State	**32,335**	**7,127**	**24,349**	**253**	**606**	**4,571**	**3,419**	**1,022**	**130**	**27,764**	**3,708**	**23,327**	**123**	**606**
Charlottesville	698	627	36	30	5	63	-	34	29	635	627	2	1	5
Dahlgren	4,685	-	4,532	79	74	812	-	779	33	3,873	-	3,753	46	74
Radford	104	101	-	-	3	-	-	-	-	104	101	-	-	3
Wallops Flight Center	123	-	123	-	-	69	-	69	-	54	-	54	-	-
Winchester	326	324	-	2	-	2	-	-	2	324	324	-	-	-
Other	26,399	6,075	19,658	142	524	3,625	3,419	140	66	22,774	2,656	19,518	76	524

Source: DoD Distribution of Personnel by State and by Selected Locations, Washington Headquarters Services Directorate for Information, Operations and Reports (DIOR)
(1) Includes Marine Corps personnel.
(2) Includes military personnel afloat.
(3) The other category within the civilian sector consists of all DoD personnel not classified as Army, Navy/Marine Corps, or Air Force.

Historical Summary

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001. The NBER on December 1, 2008, announced a recession had begun in December 2007.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:

- Single Family Housing Permits

Virginia Department of Motor Vehicles:

- New Vehicle Registrations

Virginia Department of Taxation:

- Deflated Taxable Retail Sales
- Taxable Retail Sales

Virginia Employment Commission:

- Average Hourly Earnings
- Average Weekly Earnings
- Average Weekly Hours
- Average Weekly Initial Claims
- Deflated Average Hourly Earnings
- Deflated Average Weekly Earnings
- Insured Unemployment Rate
- Manufacturing Employment
- Nonagricultural Wage and Salary Employment
- Total Production Hours
- Total Unemployment Rate
- Unemployment Insurance Final Payments

Virginia State Corporation Commission:

- New Business Incorporations

Virginia Economic Indicators - Vol. 41, No. 3
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Virginia Employment Commission
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